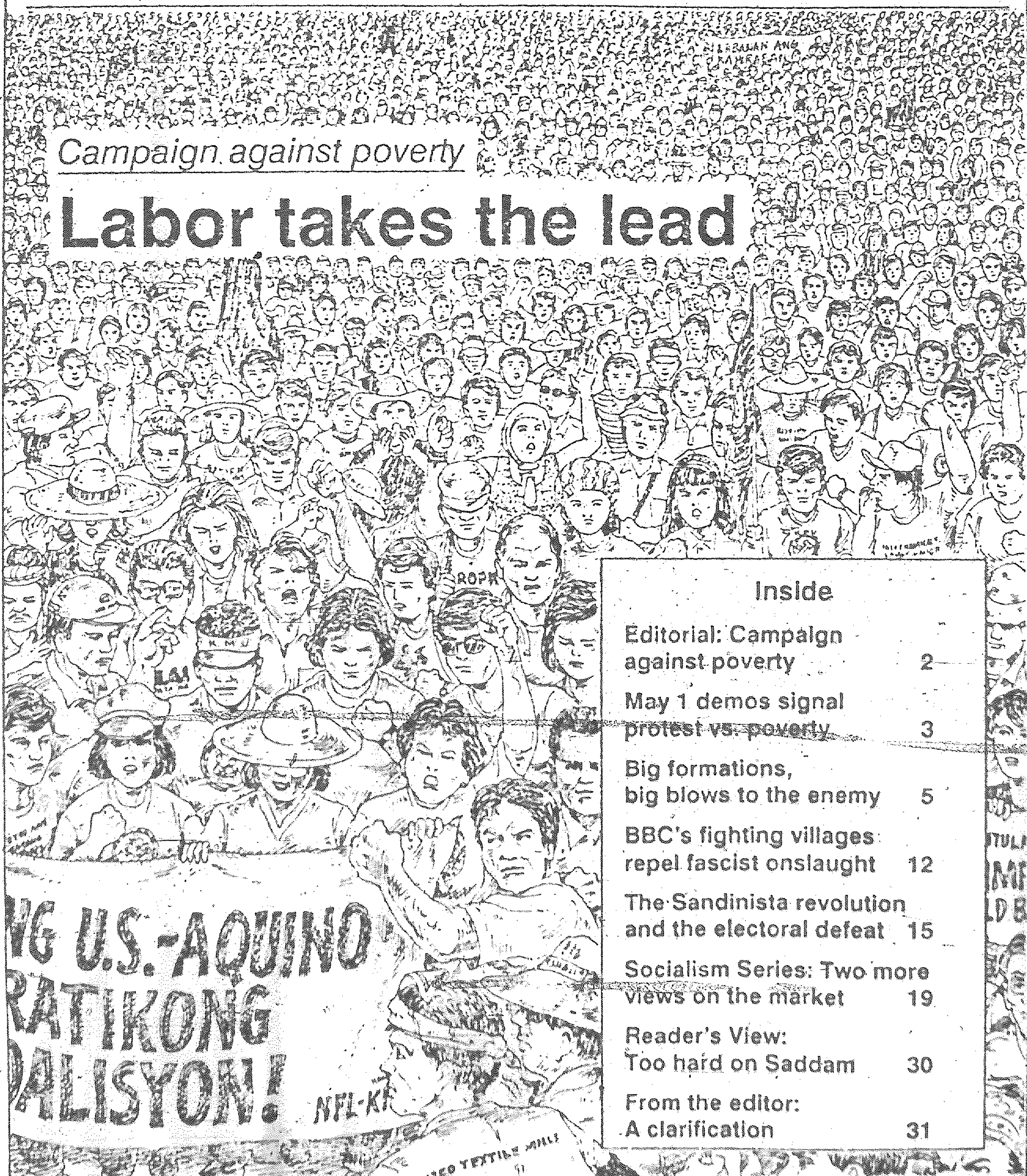


# Ang Bayan

VOL. XXIII NO.2 CENTRAL POLITICAL PUBLICATION OF THE COMMUNIST PARTY OF THE PHILIPPINES MAY-JUNE 1991

*Campaign against poverty*

## Labor takes the lead



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## Campaign against Poverty

With fervor and enthusiasm, the workers' movement launched on May 1, Labor Day, the campaign against poverty as the high point of its struggle for the year.

In big demonstrations all over the country, the protesting workers focused national attention on the unparalleled suffering of our people today in the face of severe crises and calamities. They condemned the harsh national and class exploitation resulting from the socio-economic policies and total war of the US-Aquino regime as responsible for these hardships.

The workers' movement called for the firm unity of the toiling and impoverished masses and the broad array of the urban petty-bourgeoisie, both reeling from a series of hard blows to their livelihood. The campaign against poverty is the struggle not only of the working class or all working people, but of the whole nation.

Arms linked together in one struggle, the people will defend their livelihood, stand up for their rights and demand not only immediate relief but substantial economic concessions. They will call for the deliverance of the masses and of the entire country from imperialist impositions, comprador-landlord exploitation and the state which defends and perpetuates all this.

Last May 1, the progressive workers' movement clearly laid down the line, direction and aims of the campaign against poverty. The success of this campaign will depend on how they will shape and steer the struggle based on the emerging issues, the actions of the forces in contention and the particular balance of strength between these forces.

We wish to bring out a few pointers and reminders. First, we should examine the situation very well. True, the intensification of the crisis will push the masses to increasing struggle. But to generate explosions of mass protest on economic issues, let alone to raise these to the level of political struggles, we will have to enter into a difficult and complicated struggle against the new schemes and maneuvers of the reactionaries.

Despite the unabated conflicts within their ranks, the regime and the main pillars of reaction such as the mass

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**We must consider how the various schemes of the reactionaries to manage the crisis will affect the sweep of the economic struggle and its transformation into political struggle.**

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media, Church, business chambers, and political parties are doing all they can to manage the crisis, control the factors that may lead to a social explosion, and effect an orderly transition of power through the elections of 1992. This is the reason for the media playdown on mass struggles, the peace campaign of the Catholic Church hierarchy which promotes a bias against militant struggle, and the early drumbeating of the 1992 elections as the solution to the country's problems.

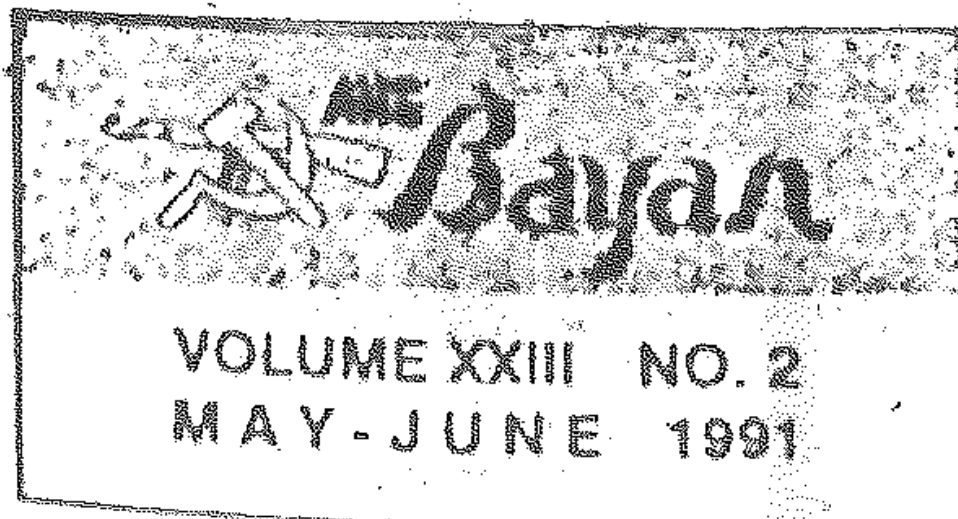
We should not belittle but instead seriously consider the negative effects of all this on the sweep of the mass struggle, on the broad and rapid participation of the spontaneous masses, especially the middle classes. We should exert more effort in painstaking work at the grassroots level and thoroughgoing propaganda. We must persevere in encouraging the masses to take action in various ways which, though lower in form, can mobilize large numbers and serve to rev them up for higher forms of struggle. Positioning at the top levels is important, but in the main this should serve to invigorate and intensify mass struggles.

The second point is a reminder. We should give time for conditions to ripen and for mass discontent to develop into huge and intense struggles. Now that the struggle for an oil price rollback is developing, let us make sure that street mobilizations grow bigger and bigger before going to more advanced forms such as the people's strike.

Let us also be flexible in using different forms of struggle and in changing the form when conditions change. This way, we can swiftly maneuver should the regime resort once again to the tactic of giving a small concession in order to save the larger part of its scheme or policy, delaying or unexpected moves, *hakot* crowds and prayers, in order to divide the alliance and make the mass struggle lose its momentum.

We should also be ready to move quickly to a higher form of struggle should an excellent opportunity present itself.

Time, painstaking mass work, flexibility and skill in tactics are what the campaign needs to move forward and succeed.



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# May 1 demos signal national protest against poverty



**M**arches and demonstrations by more than 170,000 workers and other oppressed sectors all over the country last May 1, Labor Day, marked the launching of a nationwide campaign against poverty and the exploiting classes responsible for the nation's crisis.

In Metro Manila, about 90,000 workers and other citizens marched to and gathered at the Luneta. After a short program, 25,000 of them proceeded to Mendiola where they continued the rally and filled the air with strong denunciations of the US-Aquino regime.

In Central Luzon, a total of 12,200 workers joined the Labor Day protests—5,000 in Pampanga, 3,000 in Batáan, 2,000 in Tarlac, 1,200 in Bulacan, and 1,000 in Zambales.

Some 3,500 rallied in Calamba, Laguna, 3,000 in Baguio, and 1,500 in Bicol.

Around 31,500 workers took part in marches and demonstrations

throughout the Visayas. Some 15,000 massed in Cebu, 12,000 in Bacolod, 2,000 in Leyte, 1,500 in Damaguete, 900 in Panay and 100 in Bohol.

In Mindanao, the workers who came out to protest numbered 15,000 in Davao, 5,500 in Iligan, 5,500 in General Santos, 2,500 in Pagadian, Zamboanga del Norte, 1,300 in Surigao and 500 in Cagayan de Oro.

## **Demands for immediate relief**

The large May 1 actions kicked off the struggle of workers and other citizens all over the country for immediate, and concrete economic demands.

Among their demands were a rollback in oil prices, moratorium on foreign debt payments, reduction of power and water rates, implementation of Wage Orders No. 1 and 2, and dismantling of the nine percent import levy and import liberalization program. All these issues placed the US-Aquino regime on the firing line.

More than two million pamphlets flooded Metro Manila and other places. The manifesto urged the working masses to unite and struggle against poverty and the pro-imperialist, anti-people programs and policies of the US-Aquino regime.

In a statement together with the NDF, the Revolutionary Council of Trade Unions called for the overthrow of the US-Aquino regime and the advancement of the people's democratic revolution. Last May 1, more than 200 activists of the RCTU suddenly appeared from out of the ranks of workers massed up on T. Kalaw st. at the Luneta. They staged a lightning rally all along Taft Avenue up to the Rizal Monument and distributed thousands of copies of the RCTU statement.

In the newspapers and on radio and TV programs, the issues and demands raised on May 1 by the workers and other citizens gained prominence, particularly the call for a rollback of petroleum prices.

## **Progressive leadership**

Progressive sections of the workers' movement under the Kilusang Mayo Uno and unions affiliated with the WFTU (World Federation of Trade Unions) led the big May 1 mobilizations. Joining their ranks were multisectoral organizations and personalities from the People's Caucus and other groups.

The May 1 actions drew a clear line of demarcation between the progressive forces of the workers' movement, on the one hand, and the yellow and reactionary forces under the Trade Union Congress of the Philippines (TUCP), Federation of Free Workers (FFW) and some groups within the Lakas Manggagawa Labor Center (LMLC). The two camps differed widely and sharply on the issues and demands they were fighting for, the capability for struggle and the forms of struggle used, and the attitude towards the US-Aquino regime.

The Labor Advisory and Consultative Council (LACC) united on the need to wage a campaign against



poverty. It forged a Covenant embodying the democratic and patriotic principles of the alliance.

The yellow leaders within the LACC did no more than pay lip service to the issue of poverty. Instead, they chose to play up the issues of "peace" and "democracy" in their rallies. But the masses of workers showed little enthusiasm.

The TUCP, FFW and some LMLC groups could only mobilize some 2,500 workers for their "breakfast meeting" with Aquino at the Philippine International Convention Center. The TUCP rally at the Ninoy Aquino Stadium, attended by 5,000 of its members, degenerated into a stage for the electioneering of some presidential and senatorial candidates. Other yellow groups held their own mini-rallies.

This only showed the inability of the bankrupt yellow leadership to stir the working class into action.

While the rallies led by the progressives were condemning the US-Aquino regime, the yellows were loudly applauding the regime's *promise* to give ten million pesos to a workers' cooperative bank. In exchange for this promise, they set aside the economic issues directly and concretely affecting the people.

#### New correlation of forces

The May 1 campaign strengthened the unity of the progressives within the LACC and the entire labor movement. The yellow leaders and the Aquino regime failed to split their ranks. In fact, a couple of big unions and federations which were not members of LACC even joined the rallies at Luneta and Mendiola.

The May 1 demonstrations showed the emergence of a new correlation of forces within the labor movement. The dividing line between progressives and yellows could develop into one of sup-

port for or opposition to the Aquino regime. The polarization could also be between patriotism and collaboration, or militancy and legalism.

The May 1 mobilization also revealed that many other forces could broaden and strengthen the ranks of progressive unionism in the country.

The US-Aquino regime ignored the issues and demands put forward by the workers and other citizens on May 1. It stood pat on its stand against an oil price rollback, the implementation of Wage Orders No. 1 and 2, and other demands. In its usual deceptive style—of giving a little in order to avoid giving a lot—the regime dangled the promise that it would give ten million pesos to a workers' cooperative bank.

The regime brushed aside the concrete economic demands of the workers and other citizens, because these were contrary to the interests of imperialist corporations and banks and the big comprador-landlords, particularly the Aquino-Cojuangco clan.

#### Tactical battle

The May 1 campaign and mobilization opens the door to a major tactical battle on the economic front—one between workers and other citizens fighting against poverty and clamoring for immediate economic relief, and a regime bent on pushing through its pro-imperialist and anti-people programs and policies.

In the fight against poverty, the workers and other oppressed sectors of society have reached a broad and deep unity. Even some elements among the yellows, in the predominantly reactionary Congress, in business and within the churches have joined in.

After May 1, a favorable situation has arisen for the further advancement of the struggle against poverty and for economic relief. At the forefront is the demand to roll back oil prices—which is now the focus of a tactical battle.

The tactical battle on the issue of oil is expected to give a strong impetus to the entire campaign against poverty and to the development of a mass upsurge throughout the country. ●

(From *Proletaryo*, June 1991)

## THE NEW PROLETARYO IS BORN

*Ang Bayan* welcomes the revival of another revolutionary publication—*Proletaryo*, the voice of revolutionary Filipino workers. The first issue of the new *Proletaryo*, published by the Revolutionary Council of Trade Unions-National Democratic Front (RCTU-NDF), came out in June 1991.

Born in 1980, the publication made a significant contribution to the growth and strengthening of revolutionary consciousness among the worker masses for five years.

In the newly released issue, the staff of *Proletaryo* declared that the paper aims to serve as:

- the powerful voice of the revolutionary workers' movement in articulating timely analyses of conditions, trends, calls and tasks of the workers' movement as a whole and in various areas;

- a potent instrument in forging a tight and solid political and or-

ganizational unity in the revolutionary workers' movement;

- an effective vehicle for broadly propagating investigations, studies, analyses, assessments, summings-up and programs dealing with classical and contemporary revolutionary practice and theory in the labor movement;

- a channel for the faithful depiction of revolutionary life, experiences, arts, literature and culture among the working class.

The June 1991 issue contains, among other things, reportage and analysis on the recent May Day celebrations (reprinted in this issue of *AB*) and an initial assessment of the people's strike of October 24-27, 1990.

The new *Proletaryo*, now in printed form, is an important addition to the ranks of revolutionary journalism, which is being invigorated in the regions and sectors.



*Guerilla companies in Bicol*

## Big formations, big blows to the enemy



In 1984, the first national military conference held in Bicol called for the immediate setting up of two guerilla companies in the region. The cadres and commanders pointed out that excellent political conditions and the growth of revolutionary forces in Bicol had made it ripe for big military formations.

In early 1990, the regional party committee assessed more than five years of practice in the formation and operation of guerilla companies. The following article, which is based on a document sent by comrades in Bicol to AB, shows the valuable role played by these formations in dealing heavy blows to the enemy and in maintaining the momentum of armed struggle in the face of massive counter-insurgency campaigns during the Marcos dictatorship and the US-Aquino regime.

In 1984, revolutionary work in Bicol advanced on all fronts and in an all-sided way. The armed struggle and the mass movement surpassed the peaks attained in 1970.

The revolutionary forces were developing three big guerilla fronts in the peninsula: Albay-North Sorsogon, the greater part of Camarines Sur, and the boundary of Camarines Sur, Camarines Norte and Quezon or QBZ. They were well positioned in four out of five strategic areas in the whole region.

The basic mass organizations were widespread and, except in those areas hard hit by Oplan Cadena de Amor, almost all the guerilla fronts covered a broad mass base. The basic mass organizations, armed partisan units and people's militias served as the backbone of the fast-growing mass movement.

Antifascist and antifeudal mass struggles were vigorous. In Albay, the campaigns to reduce land rent and interest rates and to raise agricultural wages had reached the district level. Mobilizations against fascist atrocities and abuses were carried out in barrios and provinces.

The broadening and consolidation of the mass base created the conditions for the establishment of one district guerilla unit (DGU) and three front guerilla units (FGU). The FGUs were platoon-size, usually composed of 25 fighters armed with more than 20 high-powered rifles. The DGU was a squad of 9-12 members with a corresponding number of rifles.

Annihilative attacks by the FGUs and DGU, attritive actions by armed partisan units, and arms-confiscation by revolutionary activists combined to push forward the armed struggle. These brought in many firearms that went to new units doing mass work; reduced the enemy's tight control over certain areas; and gave the masses confidence to step up their own struggles.



Successful political and military actions by the revolutionary forces temporarily pushed the local bureaucracy and reactionary military to the defensive. Many areas were relieved of heavy enemy concentrations when military detachments located inside guerilla fronts and zones moved back to places near the highway.

On the other hand, the enemy learned their lesson and strengthened their forces and units. In 1984, they had four regular battalions in Bicol, including a Marine Battalion Landing Team, as well as PC companies and police-paramilitary forces in every province. Former squad or section-size detachments were beefed up to platoon or even company strength. A full company or undersized battalion was used in strikes against guerilla fronts. Assault forces of platoon or section size operated close to each other.

The NPA units found it difficult to adjust to this new pattern of enemy deployment and operations. Even when joined up with local guerilla forces, they were capable of destroying only squads or oversized squads of the AFP.

Clearly, there was a need to raise the military capability of the revolutionary forces to a higher level. And conditions had matured to make this

possible: wide guerilla fronts, a sufficient number of experienced military cadres and high-powered rifles, dynamic mass movements in the cities and countryside. Thus, the first national military conference called for the immediate formation of two guerilla companies in Bicol. The Bicol regional party committee affirmed this decision.

#### Wiping out enemy forces

One FGU, two DGUs and the local guerilla units of the sections in Oas, Ligao and Guinobatan in Albay were merged to form Coy AA. Its area of coverage was Albay and North Sorsogon. Two guerilla platoons were combined for Coy BB, which operated in Camarines Sur-Camarines Norte.

The companies serve as centers of gravity for secondary formations of the NPA in the fronts. They are the seeds of the regular mobile forces.

The main work of the company—as the biggest and most powerful formation of the people's army in the region—is to wipe out enemy forces and seize big numbers of high-powered rifles. It also helps in the formation of guerilla units in the fronts and adjacent regions by contributing fighters, arms and skills.

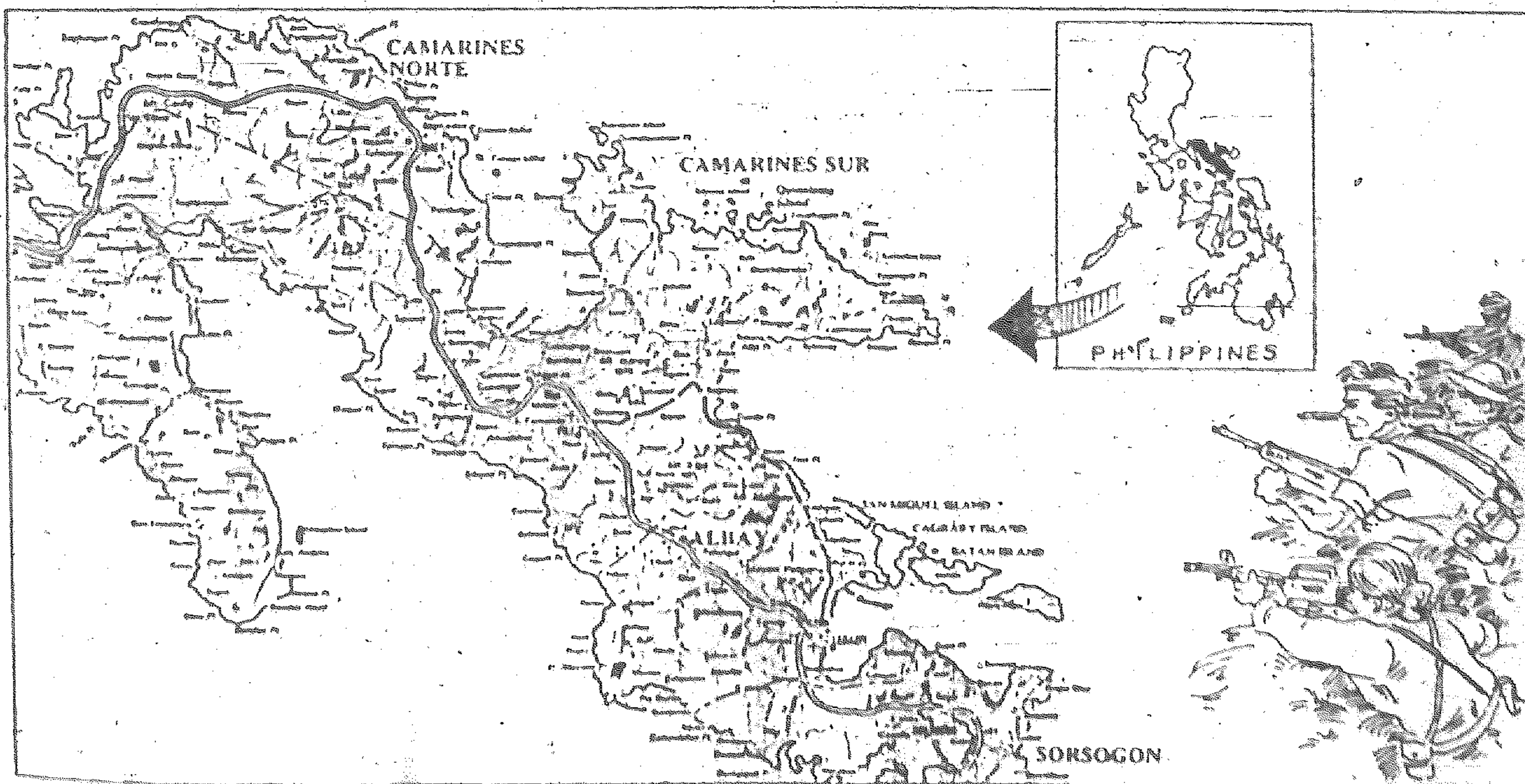
The guerilla company is duty-bound to uphold the leadership of the Party and support its activities. When not engaged in combat, it takes part in mass work, production and political campaigns launched by the Party.

Coy AA and Coy BB inflicted much damage to the AFP through tactical offensives, tactical defensives and defensive engagements.

The first two were actions where the NPA took the initiative. Tactical offensives (TOs) were in the form of ambushes, raids, ruses and siege operations. Their success was measured in the wiping out of sizeable enemy forces or high-ranking officials and the seizure of many high-powered rifles. Tactical defensives (TDs) consisted of sniping operations, harassment of mobile or stationary enemy forces and setting up of checkpoints. These were waged as part of tactical offensives or launched separately against attacking enemy troops.

Defensive engagements (DEs) were battles between guerillas and enemy troops which were unexpected or unplanned or where the NPA did not take the initiative. These included chance encounters and enemy raids or ambushes.

From 1985-1989, the two NPA companies fought 75 battles. Tactical





Year	No. of TOs launched		No. Of HPRs seized	
	Coy AA	Coy BB	Coy AA	Coy BB
1985	4	5	15	17
1986	6	1	68	6
1987	5	4	15	14
1988	2	1	11	0
1989	3	4	7	10
<b>TOTAL</b>	<b>20</b>	<b>15</b>	<b>116</b>	<b>47</b>

offensives numbered 35, more than half of which were raids on military detachments or municipal halls. In these TOs, 115 AFP soldiers, police and paramilitary elements were killed, more than 47 wounded and nine captured while 163 high-powered rifles were confiscated.

From 1988, TOs launched and HPRs captured started to decrease in number (see graph). In 13 of the 19 TOs during 1987-89, no firearms were captured. The factors behind this trend were the new political situation engendered by the EDSA uprising and the improvement in the enemy's tactics, techniques, training and weapons in line with the new military strategy of gradual constriction. The revolutionary forces not only had to adjust to the greatly changed political conditions but also needed to acquire combat experience in the higher level of warfare.

TD actions such as sniping and harassment not only inflicted casualties on the enemy but also weakened their morale, aggressiveness and arrogance. These succeeded in blocking attacking enemy forces and even causing them to withdraw. Through checkpoints, the NPA bagged some important officials of the AFP. But the TDs were few in number. In some years, the two companies were not able to launch any actions of this type whatsoever.

On the other hand, the two NPA companies engaged in 23 DEs in all. Coy AA bore the brunt of these, because of massive counter-insurgency campaigns in its area of operation from 1985-88. In general, the companies succeeded in preserving their

forces during DEs and, in some instances, were even able to turn the tables on the enemy and cause heavy damage to them. A total of 63 fascist troops were killed and 28 were wounded in these engagements, while the NPA suffered nine killed and 15 wounded.

In July 1985, enemy troops had encircled the newly formed Coy AA in Mabayawas, Oas, Albay. The Red fighters counter-attacked fiercely, resulting in what has been called the "longest battle in southern Luzon." Six AFP troops were killed and several others wounded, including a lieutenant aboard a helicopter hit by machinegun fire from the guerillas. An entire AFP platoon was decimated when, in the confusion, their own units fired on each other—reinforcements against those being reinforced.

#### Military tactics and techniques—

The two NPA companies became skilled in waging various forms of military operations. Crucial to their victories were good intelligence work, meticulous planning and appropriate tactics and techniques.

Intelligence work lays the basis for planning and military operations. After the company command has identified the target, the intel staff formulates a plan for combat intelligence. From the network and assets they have organized, they gather together and process all the important and relevant data regarding a particular target. Apart from this, they do offensive intelligence—that is, personally approaching or penetrating the target in order to get first-hand (A-1) info.

Though often lacking in personnel, training and funds, the intelligence staff performed well its function of providing combat intelligence for every military operation.

Planning involves selecting the form and manner, tactics and techniques to be used; preparing the requirements for battle in terms of arms, fighting morale, logistics, medical needs and launching stations; and conducting a dry-run of the operation. The two NPA companies carefully attended to all these aspects and drew up comprehensive plans. The planning process, however, needs to be refined and to enlist the full participation of all members of the command.

As a whole, the tactics and techniques used were suitable for the type of operation launched. But many of these have become outmoded in the face of the regime's escalation of its total war and the military's improved capability. The NPA has to develop more advanced methods of warfare, especially in night operations, small-unit tactics, commando operations, advanced marksmanship, and the use of heavy weapons and different kinds of explosives capable of destroying modern armaments, vehicles and enemy fortifications.

The most effective operations of the NPA companies were ambushes on enemy troops in transit and raids on detachments and municipal halls. These brought in the most number of firearms and inflicted the heaviest casualties on the enemy.

The companies also effectively employed explosives in both offensive and defensive actions. Coy BB used *bangalore torpedoes* in raids on military detachments.

There were some weaknesses in this area. The guerillas had a number of *fugasse*—a homemade explosive which can be attached to plants—which they did not use in any single battle. Some explosives not carefully placed were easily discovered by the enemy. Others deteriorated due to lack of proper care. At times, land mines and blasting caps were left behind in the field of battle.



### Mass work and production work

Though they are mainly a fighting force, the NPA companies engaged in mass work. They integrated with the masses—arousing, organizing and mobilizing them for the revolution—especially during periods when they have no military operations. They also provided medical-dental services, distributed medicine and relief goods such as food and clothing, and helped out in farm work and household chores. The time they devote to this is limited, compared to other NPA units whose main job is mass work.

The companies also assisted local NPA units and Party committees both inside and outside the region. They provided military training and firearms to secondary NPA units in the localities, such as the district guerilla unit, armed propaganda unit and people's militia. From 1985-86, the two companies sent Red fighters and high-powered rifles to Mindoro and Palawan, as well as to regional, front and district headquarters. During the ceasefire, they helped in conducting political work and providing security for territorial units and the national and regional panels of the NDF.

When the US-Aquino regime launched its total war, the two companies took secondary units under their wing and taught them how to respond to the difficult situation and the attacking enemy forces. They also launched actions which delayed and neutralized the formation of the Alsa Masa and other vigilante groups in Bicol.

However, some weaknesses and errors in mass work have emerged in the NPA companies. Many newly recruited



Though mainly a fighting force, NPA companies do mass work.

guerillas have not come up to the high standards of courtesy and concern for the masses which were set by the earlier generation of Red fighters. They have also been lax in doing propaganda work whenever they are with the masses. Violations of the Eight Points of Attention have become more frequent.

Many Red fighters in the companies have to undergo thoroughgoing political education, deeper integration with the masses and better training in propaganda work.

Apart from mass work, the NPA companies took part in production to meet their own needs and to lessen the burden on the masses. They tended to their own economic projects such as planting rice, corn, monggo, vegetables, fruit trees and other crops, and raising animals. They also helped the masses nearby in different tasks on the farm.

Comrades who committed errors or violated the policies and regulations of the company were disciplined in a productive way by assigning them to plant bananas or root crops in the plots of the masses.

### Command unit

The command unit is composed of the commanding officer, vice commanding officer, first vice commanding officer, second vice commanding officer, political officer and heads of the intelligence, finance, medical and liaison staffs. In 1986-87, the CO was a member of the Regional Operational Command (ROC). He is integrated into the unit to insure quick implementation of the plans, orders and policies of the higher command. The CO plays a pivotal role in

running the company.

The CO and the PO lead in much of the work. In some units, particularly in intelligence and other kinds of staff work within the company command, the LVCO acts as the leader, while the CO assists him.

The command unit focuses on operational plans and day-to-day administration, and assesses and sums up the work. The COs, platoon leaders, squad leaders and staff heads are the key people.

Command responsibility is the organizational principle which operates in the guerilla company. There were times, however, when collective decision-making was practiced to excess, thus diminishing the command responsibility of the CO, platoon leader or squad leader. Collective decision-making can contribute to the making of sound decisions, but it



## NPA-Bicol launches series of attacks

The NPA-Bicol launched 39 annihilative and attritive actions from January to April 1991, signalling the renewed momentum of revolutionary armed struggle in the region.

These military actions occurred in the provinces of Sorsogon, Albay, Camarines Sur, Camarines Norte and Masbate and included five raids, two ambushes, two "movements to contact," and 29 small partisan and sniping operations.

The operations netted 48 high-powered rifles for the NPA, including a number of machineguns, and three handguns. Plenty of ammunition and some radio communications equipment were also seized. A total of 71 fascists were killed and 69 were wounded, while five surrendered.

One of these was the successful ambush on PNP forces in Bgy. Dapdap, Uson, Masbate last April 21. Killed were Col. Rogelio Montforte, the PNP provincial commander, Sgt. Jose Ronas and a CAFGU member. Three soldiers were wounded.

Also in April, a series of NPA attacks and harassment operations on

five detachments of the PA and CAFGU in Libon, Oas, Ligao and Pio Duran, all in Albay, resulted in seven enemy soldiers slain, 11 wounded and two captured. The NPA confiscated three M14s, one M16, three Garands, one 30 caliber machinegun, 4,500 bullets and military equipment.

On May 18 was the raid on a PA-CAFGU detachment somewhere in Albay. (The AB correspondent did not mention the specific place.—Ed.) Seized were four M16s, two Garands, one M14, one .38 caliber pistol, some 5,000 bullets and a radio. Six soldiers were killed, 11 were wounded and one surrendered. One guerilla died.

A series of offensive and defensive actions by the NPA also punctuated the first quarter of 1991. AB correspondents sent these reports:

### January

■ Six tactical defenses carried out by the NPA for three days in Libmanan, Camarines Sur resulted in 14 PA troopers killed, including Lt. Gerry Gatdula, SOT supervisor of the PA in Camarines Sur. One M14, three VHF

radios and 25 backpacks were seized.

■ A raid in Hinagaan, Donsol netted one M60, four M14s, four M16s and one grenade rifle.

### February

■ NPA attack on PNP detachment in San Jose, Pilar, Sorsogon and defensive action against enemy reinforcements brought in six HPRs (M14s and M16s), two handguns (one .38 and one .45), and destroyed a V-150 and a transport truck.

### March

■ Raid on enemy detachment in Malipo, Guinobatan, Albay, netted seven HPRs. One PC lieutenant was killed.

■ In NPA attack on motorized target in Bo. Baligo, Paracale, four troopers were killed and one was wounded. One M203 and three M16s were seized.

Sniping operations in February and March in Del Gallego, Camarines Sur also took a heavy toll on the enemy: 16 killed and many wounded.

should enhance the system of command responsibility. There should be a good balance between the two.

Another problem was that most political officers and instructors were not able to function effectively. Their contributions were minimal. This can be rooted in the lack of cadres who have experience in territorial Party work and come from the petty-bourgeoisie or intellectuals. Another reason was the failure to grasp the orientation of the command administration and the Party committee and their respective tasks.

In many cases, the command unit extended its scope to Party issues. The division of responsibility between the command unit and the Party committee or its Executive Committee was not clear. The Party committee in the company and the Party branch in the platoon provide comprehensive leadership. The command units of the

company, platoon and squad take charge of operational plans and day-to-day administration of work. The principle of collective leadership or the committee system operates within the Party, while commands or orders are followed in the day-to-day affairs of the company.

Meetings of the platoon and squad administrations were also few and far between. This gave rise to problems in implementing the "three democracies" and in building healthy relations among the units.

On the whole, the command functioned competently. Nonetheless, the system of command responsibility needs to be further improved.

### Finance and logistics

The regional party committee took on the main responsibility for generating the funds and logistics needed by the ROC, its six formations

and its seven staffs. It raised funds from sources both within and outside the country, revolutionary taxes on class enemies, contributions by allies and special operations.

Most of the arms and ammunition were produced in battle; others came from the masses and allies. However, except for firearms, most of the logistics were bought and solicited.

One note on special operations: in some cases, they brought in substantial funds and logistics and were carried out in a correct manner. However, there were many incidents which produced negative results in political terms. These operations, which were implemented without the approval of the regional committee or its executive committee, damaged our political work among the middle forces and encouraged the rise of lumpen tendencies in the people's army. Thus, it was clarified that only the Party regional



committee or its executive committee—not the ROC or its commander—has the authority to approve special operations.

Despite the best efforts of the whole Party organization, the finances were inadequate to meet the needs of the ROC and its units. On many occasions, operational expenses and military supplies did not arrive on time. This impeded the quick and effective implementation of tasks and military operations. It was also partly the reason why some officers and Red fighters resigned and returned to legal life.

The sudden leap in financial and logistical needs could have been avoided if at the start, in line with the RC decision, only the two companies had been formed and the service staffs had been organized gradually. The manner in which the companies operated also added to the strain on funds and logistics. In the main, they were concentrated, although there were times when they could have divided into platoons to lessen the burden on the masses supporting them.

One step taken to ease the burden was to reduce the units and staffs under the direct control of the ROC. Nonetheless, it cannot be denied that a growing Party and army organization made up of full-time revolutionaries has increasing financial and logistical requirements. This is an objective need that the Party is determined to meet, despite present difficulties engendered by the political situation and its still limited capabilities.

#### Leadership of the ROC

From June 1986 to the first quarter of 1990, the ROC went through two reorganizations. The first ROC was composed of three members of the Party regional committee, the two COS of oversized platoons, the CO of the two companies, and the CO of the Regional Partisan Command (RPC). Under it were 12 units: two guerilla companies, two oversized platoons, the RPC and the seven service staffs.

This organizational structure strayed from the RC decision in its 1986 plenum that the ROC should absorb only the two guerilla companies. The newly-formed ROC was immediately saddled with heavy responsibilities. It had to lead and administer the newly created companies and staffs. It had to implement not only its own program but also the orders and directives of the higher organ and command regarding the ceasefire, special projects, coordinated military actions and the military campaign from March-June 1988.

The ROC found it difficult to cope with the demands of leadership and administration. Fulfilling immediate tasks took up much of its time. It was able to provide close and effective guidance and supervision to only one company and the RPC, virtually neglecting other units. It could not respond swiftly to problems bugging the leadership.

Because it was confronted with so many tasks, the ROC could not meet regularly or frequently. Oftentimes, quick and superficial consultations sufficed to deal with problems. There was no assessment or summing-up of the major activities of the staffs or of military campaigns and actions. The

command could not keep pace with the initiatives taken by the cadres.

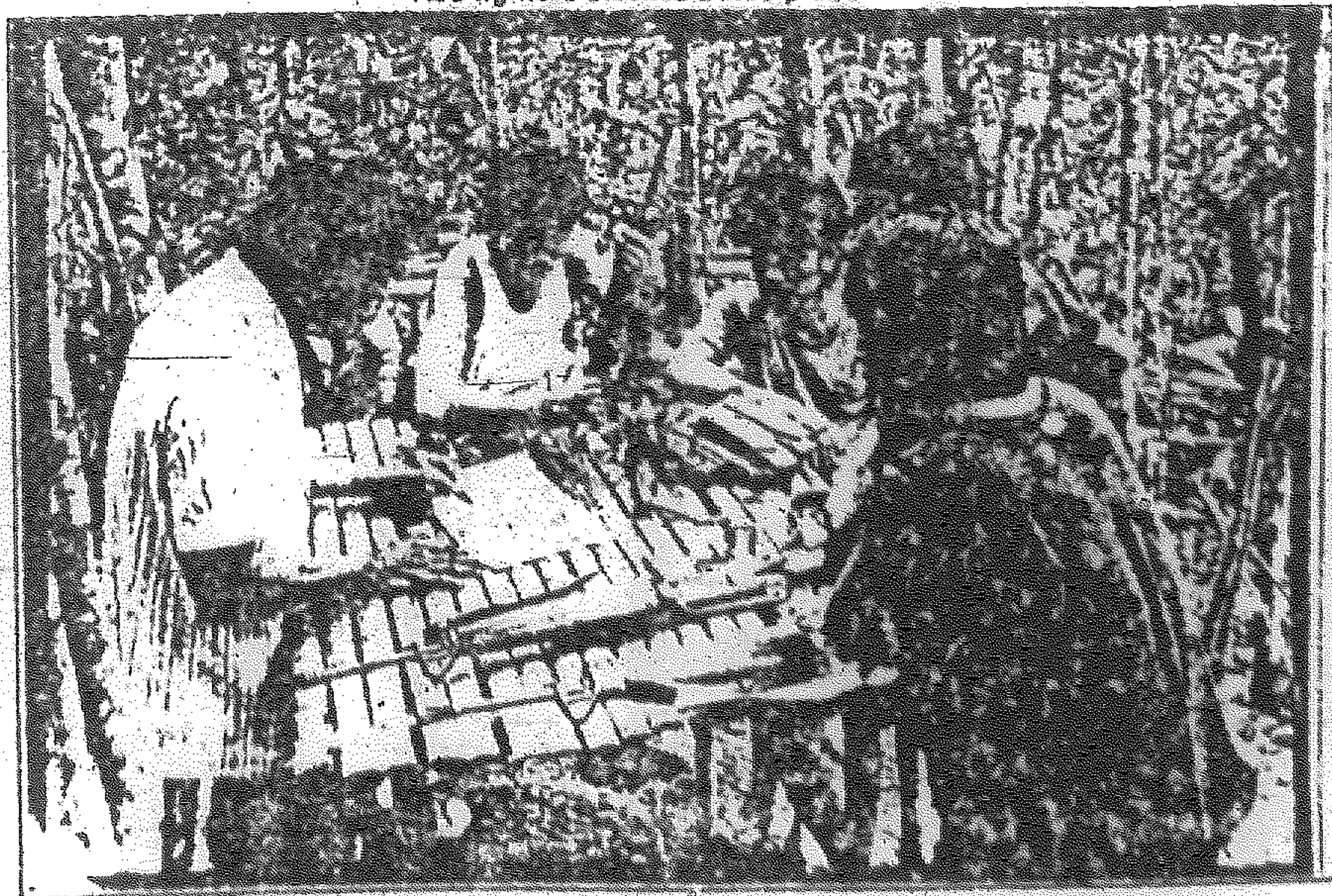
Despite all this, the ROC should be commended for total dedication to its work and determination to shoulder weighty responsibilities.

A plenum of the RC in the second quarter of 1988 decided to reduce the load of the ROC. The RC called attention to the fact that the existing structure not only overburdened the ROC but also took away from the guerilla front committees direct control over two oversized platoons. This stifled the fronts' capability to take the initiative in military offensives.

The overconcentration of forces under the ROC also gave rise to irritants in relations between the local forces and the guerilla companies. In order to form the two companies, military cadres and Red fighters had to be taken out of local guerilla units. The deployment of personnel to facilitate the setting up of all the service staffs aggravated the problem. The depletion of cadres assigned to local work was one main reason for the general weakening of mass work during this period.

This experience showed the importance of developing the organization step-by-step.

Red fighters discuss battle plans





In 1988, the ROC was reorganized. To insure that it could meet easily as a body, it was made up of RC members who were not directly handling particular army units. And only two companies were placed under it. Greater impetus was given to the fronts to form local guerilla units.

The new ROC gave immediate attention to the nationwide coordinated campaign against the Aquino regime's total war. It launched big tactical offensives to step up the momentum of revolutionary armed struggle in Bicol.

But it was not able to achieve its targets. In the six ROC-led offensives, only one resulted in the seizure of high-powered rifles. Instead of annihilative attacks, the actions became attritive. This proved that to counter the higher level of warfare now being waged by the AFP, the ROC must upgrade its capabilities in combat intelligence, planning and actual operations. During this time, the ROC leadership also suffered big losses when two of its finest commanders were killed.

#### Party leadership in the companies

In 1983, the armed struggle was advancing steadily: front and district guerilla units were being formed and local guerilla forces such as armed propaganda teams, partisan units and

people's militias were growing. Guerilla bases were emerging: the basic mass organizations had reached the level of organizing committees and the agrarian revolution was developing vigorously. Revolutionary forces were expanding rapidly throughout the whole peninsula, including Masbate. The urban mass movement was progressing and the anti-dictatorship alliance growing strong.

The Party in the region saw that conditions were ripe to begin the step-by-step separation of the army organization from the Party machinery. To serve as its 'arm in military affairs, the EC-RC created the Regional Military Staff. The RMS organized the first regional military conference and prepared a draft course for basic military training.

Not long after this, the RMS was dissolved and the EC-CC took charge of military work for two years. This was partly the reason for the delay in the setting up of guerilla companies in the Bicol region. It was only in 1986 that the RMC (Regional Military Commission) and the ROC were established.

When the two companies were formed, a Party committee was set up at company level, Party section at platoon level and Party groups at squad level.

Unlike those years when the army formations were small, the Party section and Party branches met rarely and did not function well. This was also the case in the Party committee during 1988-89. Political officers, instructors, groups and teams were not active.

One factor that led to this situation was the lack of a clear delineation of responsibilities between the company command and the Party committee, between the Party section and the platoon command. In short, there was confusion regarding the orientation of the Party units and their role in the system of administration. This pointed to the need for Party cadres assigned to the army to be educated and trained in comprehensive leadership.

In a meeting in 1986, the ROC clarified the system of operation of the Party committee, section and groups, but the situation did not substantially change after this. Greatly needed are a formal course on how Party units within the army should function; the proper delineation of the work of the political officer, instructors and groups and the training of political groups from squad to company level; and the integration into the companies of cadres experienced in territorial work to supervise comrades and reinvigorate Party life in the army.

## AB Study Campaign

The education department of the Party in the Bicol region recently launched a campaign to study selected *Ang Bayan* articles as part of its program to raise the knowledge of Party members on how to effectively combat the US-Aquino regime's low-intensity conflict (LIC) strategy.

The campaign started last December 1990 and was scheduled to end in March 1991.

The department found AB articles on advanced experiences of military and political struggles in various parts of the country to be most useful and

relevant in the work of Party units in the territory.

Among these articles were "The Self-Defense Forces" (June 1989), "Total War and People's War in Negros" (Nov. 1989), "Samar Guerrillas Stand Firm against Enemy Campaign" (January 1990), "Operation Skylark" (February 1990), "Armed Struggle in Mindanao Gains Momentum" (April 1990) and "Recovery Work in Davao" (June 1990).

Other AB articles which widen the perspective of Party elements were also included.

Some of these were "Reforms in the USSR" (Nov. 1989), "Polanzation on Agrarian Questions" (editorial, April 1990), "Lessons of Mass Work in Mindanao" (April 1990), "One Thousand and One Activists for One Thousand and One Tasks" (May 1990), "Letter to the YOU" (editorial, June 1990) and "Revolutionary Government in Samar" (June 1990).

The education department called for the reproduction of AB issues and/or selected articles to ensure that each Party collective has its own copy.



sored scheme of low-intensity conflict. Like their brother Isnegs of Marag Valley (AB, March-April 1991) and the Higaonon warriors of Northern Mindanao (AB, April 1990), the Subanen masses are fighting alongside the NPA to foil the total war policy of the US-Aquino regime and the AFP.

#### New warclouds loom

The total war of the US-Aquino regime began treacherously. While a ceasefire agreement was in place and peace talks were being held between the government and the National Democratic Front, the AFP started to reposition its troops in the BBC. Two army battalions under Task Force Cobra of the 101st Brigade in western Mindanao surreptitiously inched their way into and around identified NPA areas of operation.

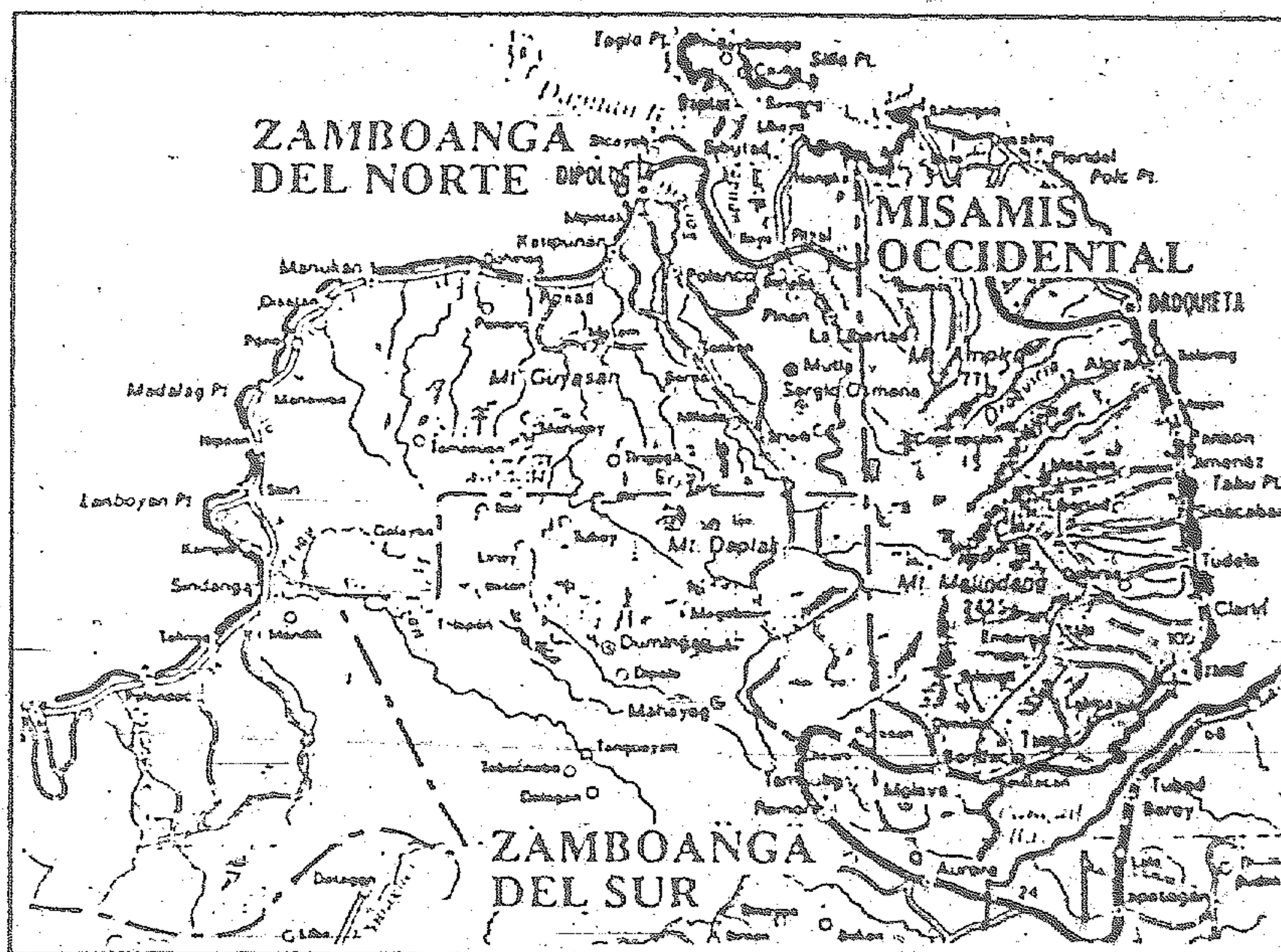
The 441st IB moved camp from Pinan, an interior town in Zamboanga del Norte to Punta Blanco in Manukan, located on the outer periphery in the northwestern side. On the other hand, the 321st IB was deployed from Villaramos, Manukan southward to Inuman, Sindangan. From their new dispositions, AFP platoon- and company-size units gradually advanced toward known guerilla zones and Subanen-populated mountain villages.

Clearly, the fascists were poised for a big attack.

The enemy forces arrayed against the revolutionary forces were formidable. The AFP had more than 2,000 combat troops, both military and paramilitary, three Sikorsky gunships, and 105 mm cannon, mortar and bazooka firepower.

From May 1987 until June 1988, AFP troops overran mountain villages, strafed houses and pounded the forest with bombs.

In the latter half of 1988 up to mid-1989, AFP troopers moved deeper into the mountain areas. From Manukan and Sindangan, the 301st Charlie company sidled up to the towns of Pinot and Sindangan while the Bravo company advanced towards the interior of Siayan. The 44th IB



took forward positions in the mountains of Katipunan which surround the northern part of BBC. Fascist soldiers penetrated into the sitios of Dikup, Fimagas, Katipunan and of Balam-pugan, San Antonio, Sergio Osmena and there set up camp. The town of Sergio Osmena is centrally situated along the mountains of Ampiro, Dapiak and Malindang.

Entrenched in these strategic positions, the AFP thought it could easily destroy the BBC front by end-1989.

In the last quarter of 1989, AFP launched its biggest battle so far in the region. For the first time, it launched brigade-size military operations, unleashing three Sikorsky choppers and powerful gunfire on the mountain areas of BBC.

Food deliveries to suspected NPA-controlled areas were blocked. Fascist soldiers began daily artillery and cannon-mortar attacks, forcing the Subanens to flee. They issued an ultimatum to the revolutionary forces: *Surrender or die before the year ends!*

#### BBC stands its ground

The military campaigns wreaked the most havoc on unarmed people. The number of civilian casualties, among them children, was many times over that of armed combatants.

Both the NPA regular units and the territorial activists worked urgently to study enemy moves and counter the next round of attacks. Actions of the NPA units were complemented by those of the armed masses.

The YM (militia units) devised defense plans for their own villages. They had just undergone training on how to detonate locally-manufactured explosives. They made more and better booby traps—hundreds of *gahung* and *balatik* planted along strategic footpaths and ridges.

The GPK (*grupong pagdepensa sa kaugalingon* or self-defense units) in the villages located favorable hiding places for noncombatants during military attacks as well as storage areas for their food supplies near pinpointed RPs (rallying points). The masses then organized themselves into several teams, squads and platoons and chose their respective leaders.

At the same time, sniping teams within the YM prepared their weapons, cleared all maneuver and retreat areas and routes for every team, and dug pits and foxholes deep in the forest. They redefined lines of coordination between the YM and the guerilla unit, lines of defense and disposition of forces, and laid down appropriate tactics and methods.



These preparations were nothing new to the revolutionary masses. Since the time of the dictatorship, they have lived their lives in the mountains, surrounded by constant danger. Everyone has evolved his own way of coping with the war.

The enemy struck on the second week of October 1989. The once quiet mountain range resounded with gunfire.

Choppers raked guerilla snipers below with machinegun fire and rockets but failed to beat back sharp-shooting Red fighters on the ridges. Whenever a chopper succeeded in temporarily dislodging snipers from their position, the latter would simply move to a more

detachments, confiscating three M-14s, five Garand rifles and several rounds of ammunition. Three soldiers were killed and four surrendered.

#### Return with a vengeance

The embarrassing defeat at the hands of small fighting units of guerilla fighters and revolutionary masses pricked the AFP's bloated ego. In November 1989, the enemy returned and struck hard at the areas where they believed the masses were hiding. There, AFP-CAFGU elements shot indiscriminately at every moving object. By February 1990, thousands of Subanen and Visayan families had

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*Despite their massive firepower and overwhelming numbers, the AFP could not match certain qualities of the revolutionary forces—deep roots among the masses, mastery of the terrain, capacity for extreme hardship and, above all, determination in fighting for a just cause.*

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favorable spot on another slope. In the battle on the ridges, sniper bullets downed 35 fascist soldiers.

Nevertheless, the combined AFP-CAFGU assaults went on, and with more fury, for the next five days. They burned farms, animals and houses. Machinegun attacks by night and aerial strikes by day sowed destruction across a wide swath of mountain area. During this period, the masses and the Red fighters suffered severe hardships in the forest. They ate coconut meat, *kubong* and wild leaves for weeks, shifted position many times even in the dead of the night and were constantly exposed to the elements.

Hunger and disease stalked children and older and sick men and women who had sought refuge in nearby lowland villages. Fascist troopers showed no mercy and even raided their temporary refugee centers and confiscated their limited food supplies.

Falling to pin down their quarry, the AFP temporarily halted operations. Seizing the opportunity, an NPA unit successfully overran two AFP-CAFGU

evacuated to the lowlands.

For months, AFP-CAFGU raiders swept through the mountains, closing all possible exit points and cutting supply lines. However, the snipers, DTs and militia units which were strategically positioned on higher ground were quick to spot them and, at every opportune time, dealt them telling blows.

Together with secondary units and remaining YM members, the NPA regulars launched and sustained *active defensive actions* to wear down the enemy. They organized themselves and the other combat forces into small sniping and harassment teams and maximized the use of explosives, native booby traps, sniping techniques and other forms of harassment against the enemy.

These teams frequently hovered around enemy camps scattered in the mountain areas. With darkness and woody hills as cover, they sprung swift, surprise attacks on the enemy. From February to July 1990, sniping operations alone killed more than 30 enemy troopers.

The fascists were heavily demoralized. Compounding the AFP officials' worries was a strike staged by mutinous soldiers against their battalion commander over corruption and non-payment of their salaries. In July 1990, two companies of the 321st IB burned and deserted their camps in Katipunan and Sergio Osmena.

During the final stage of the military drive (from November 1989 to July 1990), more than 65 enemy soldiers were killed, an undetermined number were wounded and ten high-powered rifles seized. The revolutionary forces suffered ten casualties.

#### Drawing lessons

The NPA in the BBC guerilla front paid glowing tribute to the bravery and determination of the fighting Subanen masses who fought alongside them to repel enemy attacks. Small fighting formations made up mostly of Subanens—as snipers, DTs and militia units—played a vital role in the NPA's victories.

Was it a defeat for the fascists? Surely the massive resources expended and terrible toll of lives during the entire period of their destructive campaigns in the BBC were signs of desperation. Despite their sophisticated weaponry and numerical superiority, they were up against revolutionary forces with qualities they could not match.

The revolutionary fighters had deep roots among the masses, complete mastery of the terrain and the capacity to bear extreme hardships.

Above all, the NPA and the revolutionary masses were determined to resist the intruders waging a barbaric war against the people. Theirs was a just struggle against centuries-old oppression and exploitation in their homeland.

Once more, the AFP has been beaten back. But the guns will not be silent for long and the revolutionary forces must prepare for renewed war, which is likely to be fiercer than before. They must persevere in standing their ground and boldly push forward the revolutionary armed struggle in the BBC. ●



## The revolution and the electoral defeat

*In June 17, 1990, FSLN militants held a national assembly in El Crucero, some 30 kms. south of Managua, the capital of Nicaragua. They assessed the results of the February 1990 elections where the UNO, a coalition of forces opposed to the Sandinista government, defeated the FSLN. They also drew lessons from the FSLN's experience in running the government from 1979 to 1990.*

*The assembly discussed and approved resolutions on the situation in Nicaragua after the overthrow of Anastasio Somoza, the reasons behind the FSLN defeat in the February elections and the new situation which emerged, and the aims and tasks of the FSLN under the new conditions.*

*The FSLN subjected its revolutionary program to "frank, open and direct discussions" by all the people and the Sandinista forces before its final approval in a congress set for February 1991.*

*The June 17 resolutions appeared in Barricada International. The following reprint by AB is a condensed version. This is the first of two parts.*

Since July 19 1979, our revolution has called on all Nicaraguans to take up the historic task of eliminating Somocismo, fighting the legacy of underdevelopment and poverty, carrying out far-reaching changes to benefit the majority, setting the foundations for the exercise of genuine democracy and asserting full sovereignty and national independence.

For the past decade, the FSLN has sought to realize these objectives. However, external and internal conditions blocked the full realization of the revolutionary project.

Among the external factors, the policy of aggression against Nicaragua by successive US governments is the main factor responsible for the erosion of our revolutionary project. The Central American governments, clinging to traditional structures of exploitation and domination, supported the counterrevolution, thus isolating the Sandinista government. From December 1981 onward, a vast plan of military, economic, political and diplomatic aggression was unleashed against our Revolution and carried out

continually until the February elections.

In addition, the socialist countries entered a deep crisis, thus decreasing our possibilities of counteracting the effect of the war.

To these external factors we must add the following internal factors:

a) In making the necessary social changes, our government did not always take into account the traditional features of Nicaraguan society.

b) Within the country, a bloc opposed to the Sandinista government emerged, with real possibilities of destabilizing the administration. This bloc brought together Somoza supporters, anti-Sandinista business people, large landowners and well-off peasants, indigenous communities from the Caribbean coast manipulated by the CIA, influential sectors of the Catholic church, political parties and professional associations from the traditional right wing as well as politically backward sectors of society from both the countryside and urban areas.

c) Practices from socialist countries were reproduced which led

us to take up a one-party style in the political leadership of society and to an excessive emphasis on the control and centralization of public administration.

d) These policies were often carried out in a coercive and bureaucratic fashion. The model we began to build with socialist orientation in practice conflicted with the program of reconstruction and national unity.

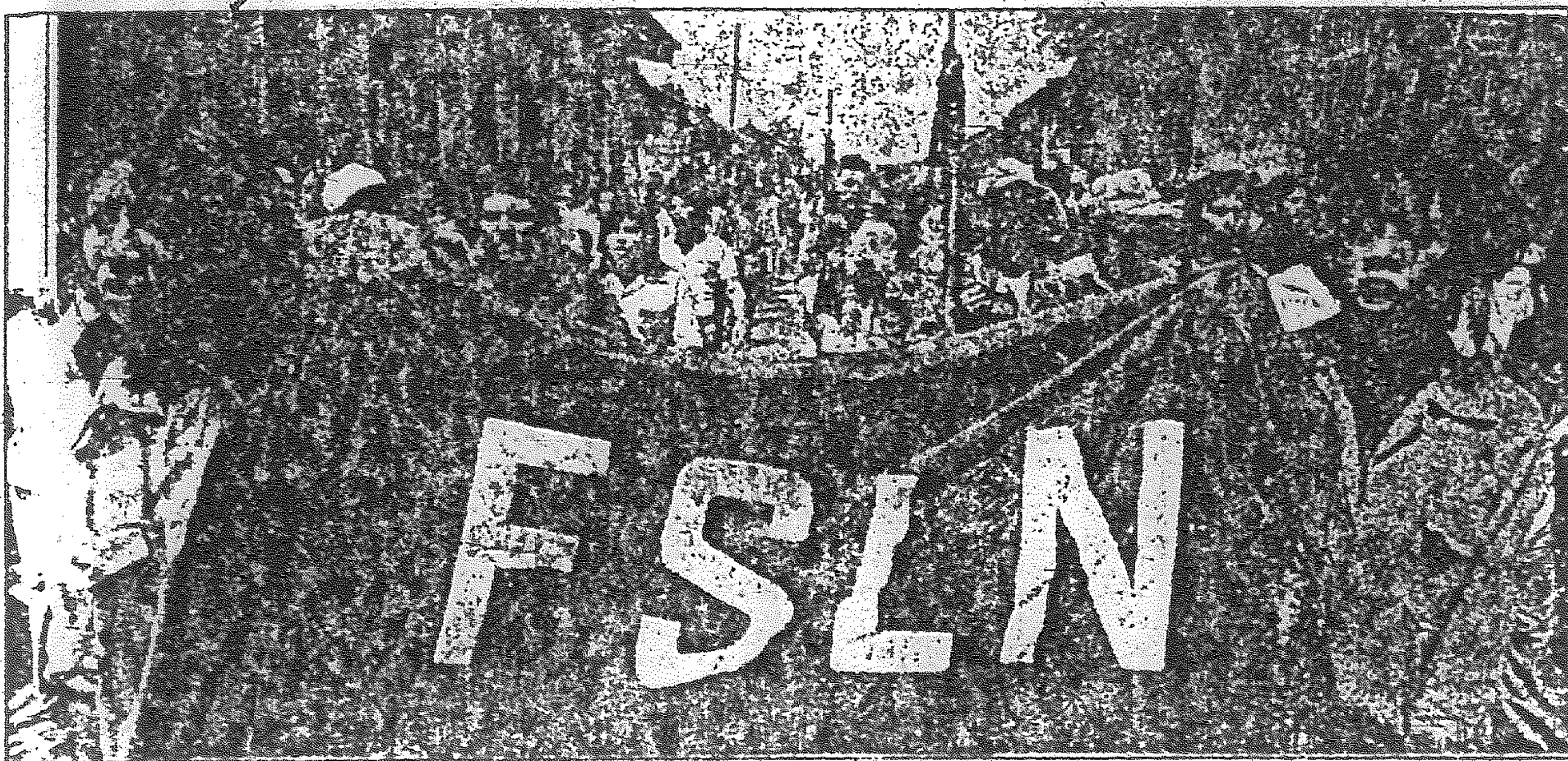
Despite these adverse factors, the balance is positive. The revolutionary government achieved the broadest and most profound social, political and economic gains in our history.

### The electoral defeat

The election result of February 25 and its historical consequences cannot be fully understood without a thorough analysis of the Revolution's actions.

The immediate reasons why the majority of our population voted against the FSLN are evident: the Patriotic Military Service (SMP) and the expectation that a government





Sandinistas celebrate their 1979 victory

friendly to the United States could improve the economic situation. According to polls and studies carried out by national and foreign organizations, at least 50 percent of those who voted against the FSLN did so for one of these two reasons.

The rejection of the SMP was nothing other than the expression of the social and political exhaustion accumulated over long years of fighting. The bulk of the population understood that the prolongation of the war was linked to the hostility of the US government and its basic conflict with the Sandinista Popular Revolution.

For many it was impossible to understand how an FSLN election victory could effectively speed up the achievement of peace. On the contrary, it seemed possible that an UNO victory would put an end to the war, given its explicit alliance with the Yankee rulers.

Nevertheless, it was not feasible for us to do away with the SMP as long as the contras remained a threat to the people and their revolutionary government. The SMP was a fundamental factor in the failure of the imperialist effort to eliminate Sandinism through military victory.

The FSLN recognizes that certain policies and situations tended to distance

some social sectors from the Sandinista Revolution. These included:

a) The nationalization policy which in its first stage led to the indiscriminate confiscation of land from large, medium and even some small private producers.

b) The forced purchase of basic grains at official prices and the accomplishment of this through roadblocks, with which we tried to improve urban supply.

c) The struggle against speculation, to which traders reacted negatively in political terms.

d) The sale of products with a ration card, which was introduced to defend workers' real wages, and which turned out to be unfavorable to the informal sector of the economy.

e) The confrontation with the Catholic hierarchy and some Protestant churches which carried out anti-Sandinista campaigns, which affected the FSLN's image, despite the participation of Christians, Catholics and Protestants in the Revolution.

f) Abuses and violations on the part of EPS Sandinista Popular Army and Mint (Ministry of Interior) soldiers and officers, as well as government officials and FSLN leaders, which divided the peasantry.

g) Ignorance of the situation of the Atlantic Coast's indigenous peoples and the mistakes made as a result.

There were other factors behind the FSLN's electoral defeat. One was the serious economic crisis which was mainly due to the structural imbalances left behind by the Somoza government, and the effects of the international economic crisis. These were exacerbated to an extreme by the United States policy of aggression, which included acts of sabotage, blockades, blackmail and war.

The accumulated effects of the economic crisis, the blockade and the war severely affected workers, small-scale merchants, crafts people and campesinos. UNO and the Yankees capitalized on all of this, offering the people an end to the war, the suspension of the trade embargo and abundant foreign funding for short-term economic improvement.

Another serious mistake was our not having foreseen the electoral defeat and our lack of preparation for such an eventuality. This, despite information that there was a deterioration in our electoral base.

For years our aim was to consolidate the Revolution's social base,



rather than seeking consensus. Although this was important to effectively wage the struggle against the Somoza dictatorship and US military and economic aggression, it brought about an almost military structure and discipline in the party and government.

Moreover, the FSLN acted as a part and extension of the revolutionary state, and its militants had to carry out many tasks vital to the survival and progress of the Revolution. However, these actions contributed to the FSLN's political exhaustion.

### Correcting weaknesses and mistakes

The electoral defeat has allowed the failings and errors which weakened our image and political work to be brought to light, through a broad process of criticism. Although these problems were not decisive in the electoral result, it is essential to the FSLN's health and unity that it take the appropriate corrective measures.

Among others, the most negative phenomena observed are: authoritarianism; lack of sensitivity to rank and file demands and concerns; the silencing of criticism; and bureaucratic leadership styles and the imposition of leaders and organizational structures.

Our ability to communicate with important sectors of our population diminished over the years, despite the close contact which many Sandinista leaders maintained with broad popular strata. This problem was aggravated by:

a) Sectarian political behavior in the FSLN's various levels of action and in most of the mass organizations.

b) A lack of political links with non-organized sectors.

c) The assignment to local leadership posts for over-long periods of those who were not from the region and had no natural link with its population.

d) Excessive professionalization of party structures.

e) A more demanding approach to granting membership at the grassroots levels than to companeros with administrative posts.

f) Lack of political attention to Sandinista sectors such as the historic combatants and collaborators.

There were also modes of behavior which affected the moral authority and example offered by Sandinista cadres and militants. A few companeros led lifestyles which contrasted with the difficult living conditions experienced by the majority of our population. There were individuals lacking in prestige or accused of corruption, for a variety of reasons, who were kept in their posts or transferred to equivalent or even higher ones. Some Sandinistas with civilian and military responsibilities and grassroots activists were also arrogant and abused their power.

The correction of many of these problems is already under way. Progress has been made in the internal democratization process; the election of intermediate and grassroots leaders has begun at a national level; a frank process of criticism is going ahead in various party fora; and all the FSLN's organizations are debating political problems and a variety of tasks.

Despite all these weaknesses and failings, the FSLN's management of government has been the most honest and respectful of the population in all of Nicaragua's history. Neither the government nor the capitalists who brought this country to ruin, nor their mass media, have the moral authority

to give the Sandinistas lessons in honesty.

### The current situation

The results of the February 25 elections were unfavorable to the FSLN. However, not all the 55 percent of voters who voted for UNO have anti-Sandinista ideological affiliations, nor are they committed to political loyalty towards the current government or the coalition itself. Only a minority can be clearly defined as an obviously right-wing force and therefore susceptible to being mobilized by extremist sectors.

Majority of that 55 percent includes workers, peasants, women, young people, business people and professionals who could be drawn together around Sandinism's patriotic, popular and nationalist program. The 41 percent of voters who voted for the FSLN, despite the extremely high human and material cost exacted from the Nicaraguan people by imperialism, must be consolidated.

However, the result of the recent elections was a victory for imperialist policy, which succeeded in dividing our people. We must overcome this division, avoiding the labels of UNO supporter versus Sandinista in our speech and actions, fighting at all times for the people's unity, to group the various sectors around their principal interests.

Anti-Sandinista rally in Managua: part of the 55% who voted for UNO



Wages of discontent: anti-Sandinistas demonstrating in Managua under the newly relaxed rules



The FSLN's electoral defeat has encouraged a regrouping of the counterrevolutionary forces, which aspire to reverse the Revolution's basic transformations and re-establish Somocismo.

Prominent among them are capitalists and Somocistas known as the Miami Group, who are attempting to regain property and influence in the country's political life. Alongside them we find the leaders of Cosep and other oligarchs, who are trying to destroy the trade union movement, evict the campesinos from their lands and forcibly take control of companies and goods. Also in the counterrevolutionary camp are the group of eight parties which for one reason or another have taken up hard-line anti-Sandinista positions and the leaders of trade union and other organizations linked to these parties.

Currently, the Catholic church supports the government and exercises a decisive influence over it, especially in the field of education. In the meantime, important sectors of the Catholic church and Protestant denominations are actively defending Christianity in the Revolution.

The US government has never been, nor will it be, a passive observer of political events in Nicaragua. Extremist US sectors will make use of their vast resources and the possibilities afforded them by the current government to promote the counterrevolutionary project and attempt to wipe out Sandinism.

Donations and loans offered by the United States are generally tied to the dismantling of revolutionary changes. Their effect can already be felt in the ideological sphere and this will continue in a systematic manner, through the penetration of the educational system and the mass media.

They are encouraging the emergence of pro-imperialist trade union organizations, which seek to divide the labor movement and destroy the revolu-



When the Sandinistas made Reagan see red, he sent in the "freedom fighters"

tionary unions. And they are trying to dismember and disorganize the main revolutionary institutions, particularly the armed forces and the FSLN itself.

The government is enjoying a period of international credibility and on the domestic level most of the population is still willing to give it time to show whether or not it is capable of keeping its promises. Despite this generally favorable situation, it still does not have a consolidated political base which could be shaped with support from imperialism, backing from the church and the advantages represented by holding power.

The so-called Las Palmas Group—which represents a sector of reformist capital and influenced the attainment of the transition accords—controls the executive but does not have its own political party and maintains a precarious alliance in the National Assembly with the most reactionary sector of UNO's leaders. The right-wing extremists are also represented in the executive and hold other relevant government posts.

From a class perspective, we are dealing with a pro-US bourgeois government whose instincts and program favor the dismantling of the Revolution. The extreme rightwing forces and the US government are making efforts to push the current government towards counterrevolutionary radicalization, towards the complete eradication of Sandinism. However, to date, influential groups which, from a political perspective, are trying to avoid a precipitous confrontation with the FSLN, predominate in the executive.

The extension of the counterrevolutionary program will ultimately depend on the correlation of forces in struggle: on the one hand, the democratic and revolutionary ones; on the other, those who would return to the Somocista past.

The displacement of the FSLN from political power in no way means the end of

the revolutionary project or the disappearance of Sandinista organizations and institutions. The FSLN is Nicaragua's largest political party, the most solid despite the electoral defeat, and maintains organic ties with broad sectors of the population.

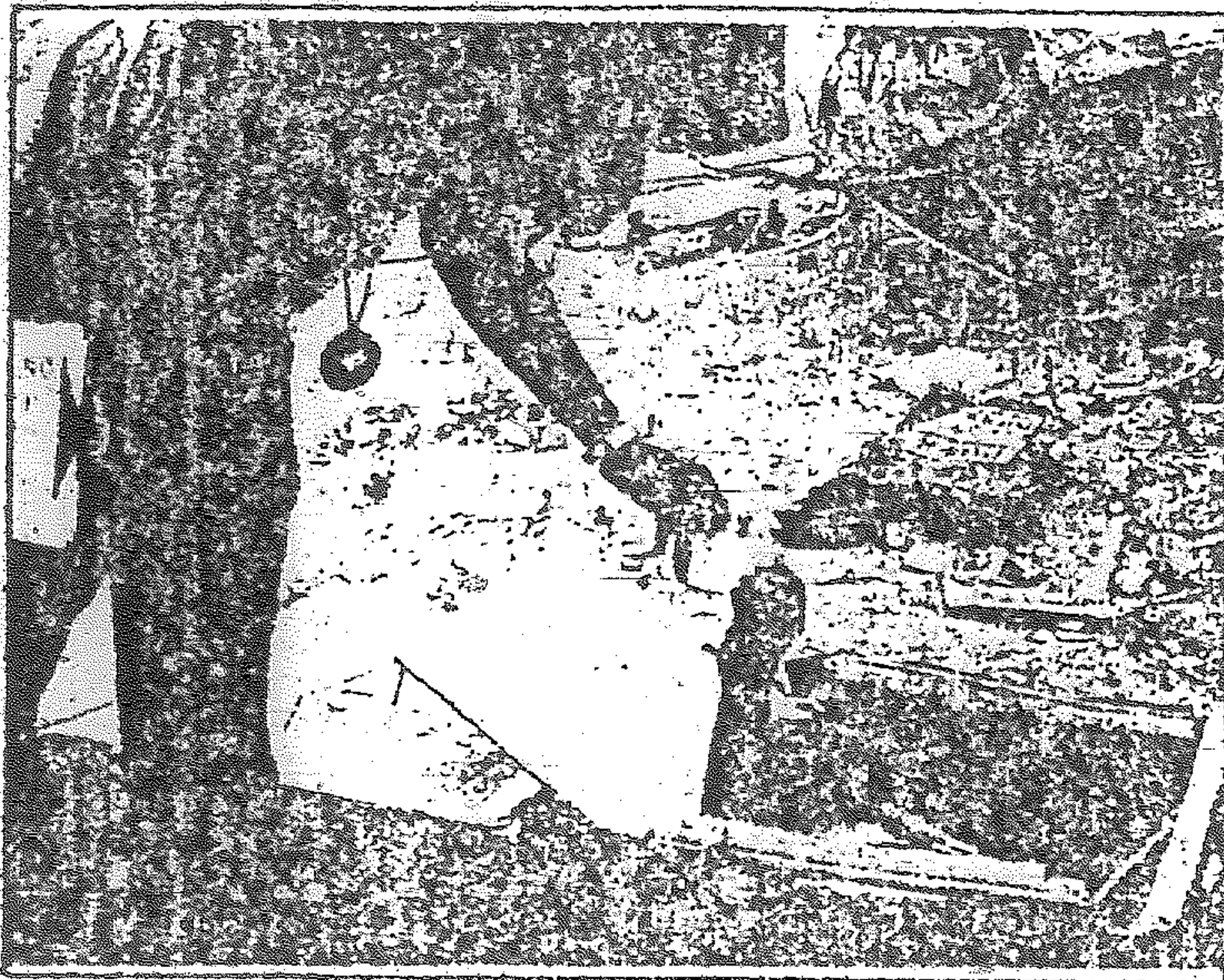
Agreements such as that of March 27, for the peaceful and orderly transition of power, and that of April 19, for contra disarmament, were a political victory for Sandinism and all of Nicaragua's democratic forces, since they slowed down the aggressive nature of the counterrevolution and the US government.

The agreements preserve the integrity of the military institutions created by Sandinism. Although they are under obligation to subordinate themselves to the government within the legal framework, their own patriotic and popular training is the best guarantee against their being used as tools with which to repress the people.

The Sandinista labor and grassroots organizations are the largest and most solid in the whole country. The FSLN presence within the different branches of the state and the various government institutions and companies is a factor of balance against attacks from the extreme right wing.

The FSLN's strength is great, but we should not underestimate that of the enemy and must work with urgency to consolidate ourselves politically and ideologically. That is, overcome our internal difficulties, adjust to the new conditions, regroup forces and launch ourselves into struggle. ●

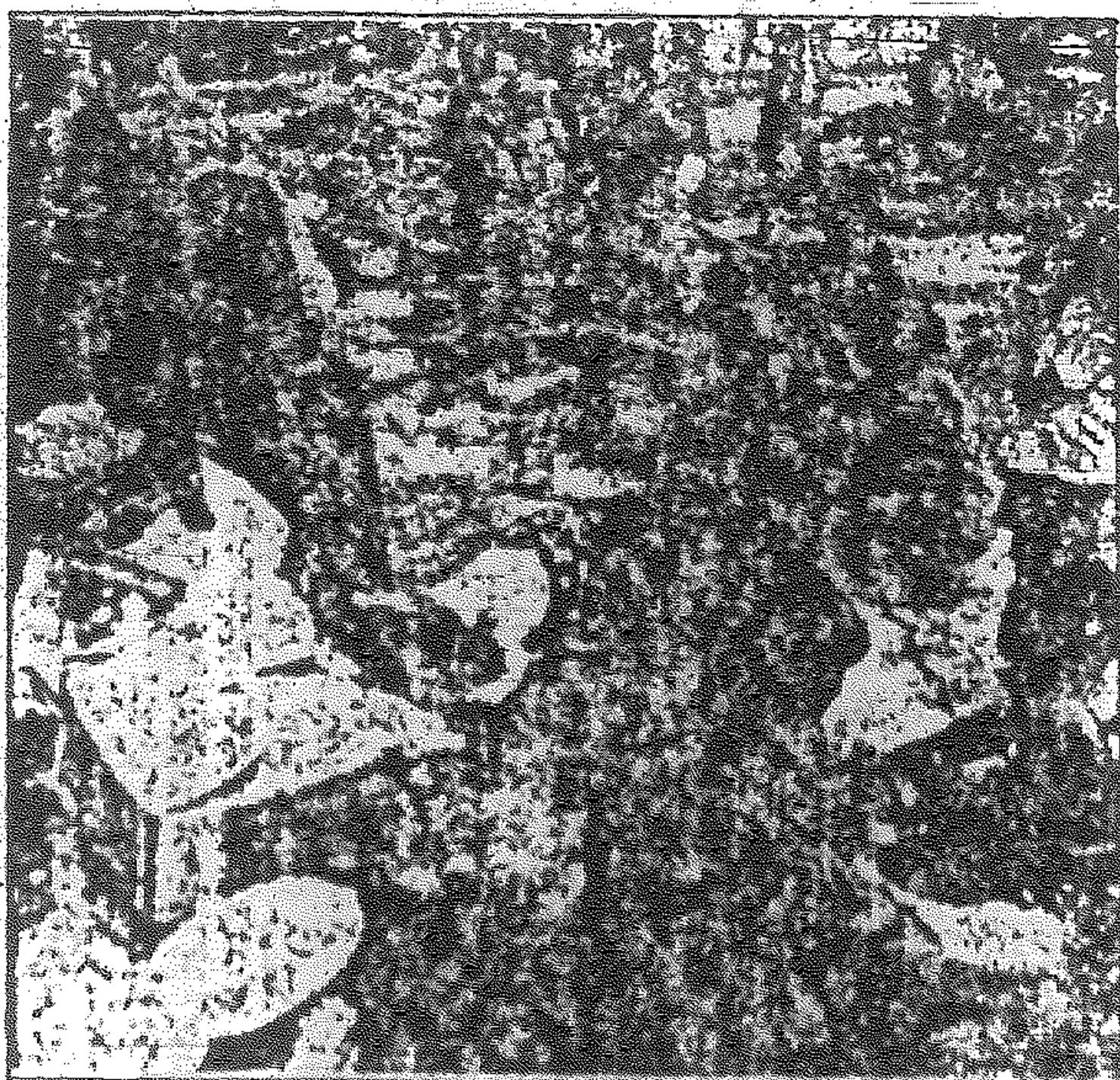




*Is the market the solution to socialism's economic ills? The two articles reprinted by AB in this issue caution against too much adoration of the free market and puts it in its proper place.*

*In "The World, the Free-Market and the Left," Robert Pollin and Alexander Cockburn reaffirm the fundamental economic positions of socialism and defend economic planning and an activist state as indispensable tools for broadening democracy and raising mass living standards. They recognize that central planning, as practiced, distorted certain premises of socialism and ran into fundamental difficulties, but "its substantial successes should not be forgotten." On other*

## Two more views on the market



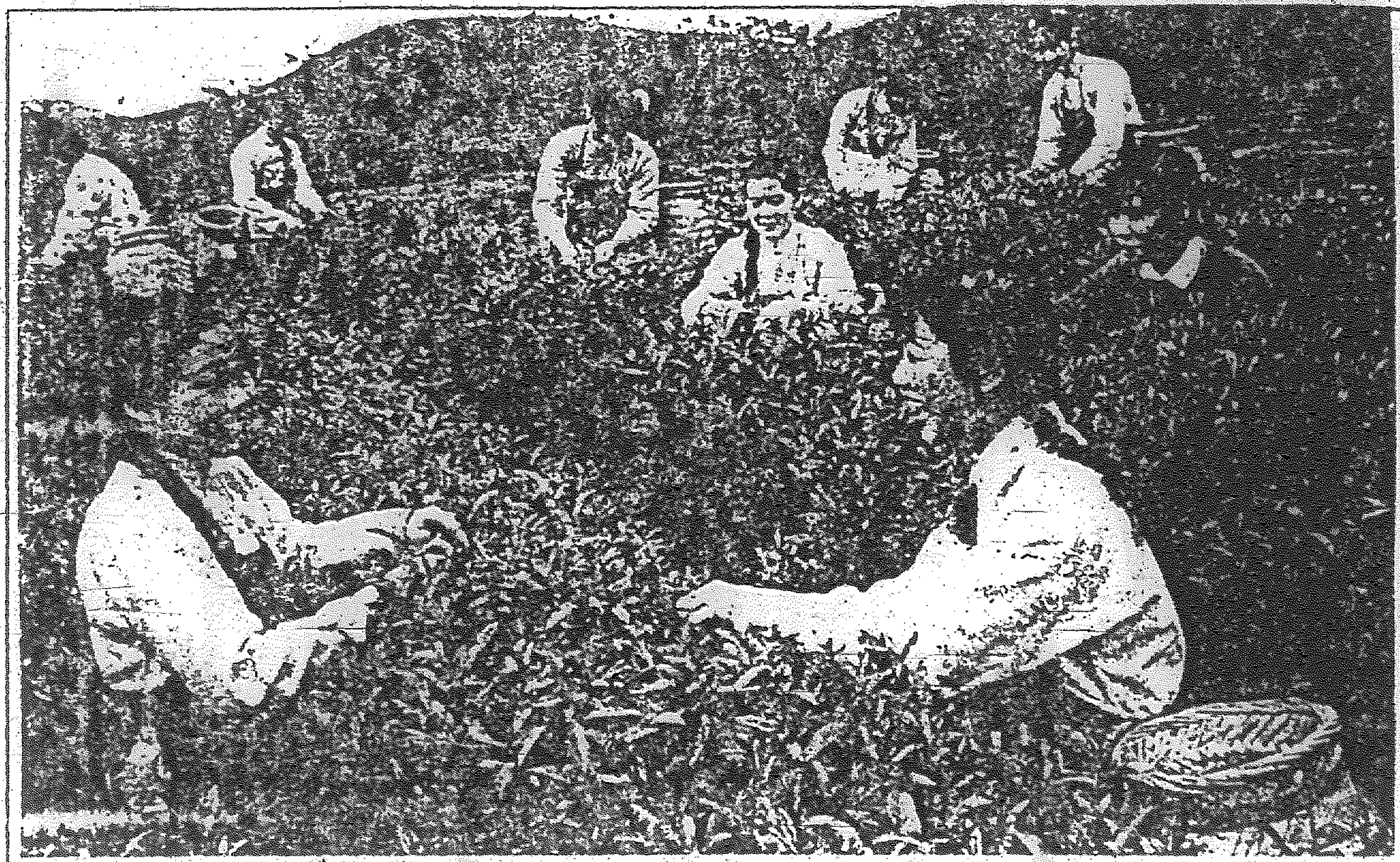
Homelessness in America (above) and mass poverty in the Third World (below): free-marketeerism provides no solution

*hand, they provide ample evidence of how free-marketeerism has led to bleak consequences in Third World countries, while it has not been the key factor in the successes of "model" capitalist economies such as Japan and South Korea.*

*Meanwhile, in his book "Perestroika and the Concept of Socialism," Agdas Burganov says that while the market can resolve a number of economic problems, socialist societies at present face a more basic problem—and that is concerning the ownership of the means of production. He argues that state monopoly ownership of the means of production remained only economic socialization and failed to become real socialization or what he calls "social socialization." The latter can only be realized when production and the whole of society are organized according to a system of cooperation, that is, a system consisting of "associations of free and equal producers."*

*In Burganov's view, this—and not the statist socialism developed by Stalin—is the scientific socialism envisioned by Lenin.*





## *Capitalism and its Specters*

# **The World, the Free Market and the Left**

By Robert Pollin and Alexander Cockburn

A year ago the capitalist future appeared as rosy as the old vision of Socialism as the shining path. Eastern Europe was starting its economic renewal, along lines administered by free-market theorists and reviewed by the World Bank and the International Monetary Fund. In the Soviet Union itself Gorbachev's perestroika was firming into a profile of capitalist reform. Appeals for food baskets from the West advertised most vividly its economic disintegration.

The surrender by the Soviet Union of any weighty adversarial role seemed, in the hopes of strategists in Washington,

*Robert Pollin teaches economics at the University of California, Riverside, and is on the national steering committee of the Union for Radical Political Economics (URPE). Alexander Cockburn's column, "Beat the Devil" appears every other week in The Nation.*

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to announce a congenial era in the economic arrangements of the world. The major capitalist powers would lead in disposing planetary capital, resources and trade opportunities. And growth would ever be on the rise.

Such were the imagined outlines of the "new world order." A year later, despite the fact that their long-term optimism has not dissipated, shadows have crept over the rosy expectations of free-marketeers.

The Eastern European economies are reeling. The days of cheap Soviet energy, which had fueled their postwar growth, have ended. Unemployment has surged to levels unfamiliar to local populations though well known to workers farther west. There is a catastrophic shortfall—\$10 billion or more—in anticipated capital investment from the West.

The world's foremost capitalist power is fighting the effects of serious recession with that negation of free-market theory, military orders from the state. In the fourth quarter of 1990 the gross national product of the United States fell by 2.1 percent, the worst drop since the 3.2 percent figure for the



third quarter of 1983. The latest unemployment figures, for December, showed a loss of 232,000 jobs. The deficit promises to be large enough to test even the most hardened nerves: \$318 billion.

Far from being on the threshold of a new world order, the major capitalist powers face a period of increasing rivalry, as the rows that led to the temporary collapse of the GATT trade talks in December illustrated.

Nowhere do the promises of a year ago look more empty than from the perspective of the Third World. The outlook was never good and, with higher prices for oil, lower prices for commodities, larger interest payments on their debt and, throughout the Near East and Southeast Asia, the disappearance of remittances from workers in the Persian Gulf region, it has become desperate.

So the economic idiom of the free marketeers is now one of prolonged sacrifice. The real living standards for peoples supposedly basking in its blessings continue to fall. It is therefore a good moment to examine the fundamental claims of the free-marketeters. Does the present situation signal merely an uncomfortable detour along a path that is sound, following a model essentially impregnable in its assumptions? Is the socialist path forever a cul-de-sac, one of history's false turns in the road?

#### The Market Love Feast

Despite mounting crisis, free-market thinking continues its advance in Latin America, Asia and Africa as well as Eastern Europe and the Soviet Union. One after another, socialist economies are placed under the charge of free-marketeters and turning towards private enterprise, a free market and foreign investors to solve their crises.

With a few variations to account for local conditions, the formulas being advanced throughout the world are the same: in the short term, rapid and deep cuts in wages, social spending and subsidies to control inflation and provide a climate of stability for business; in the long term, fundamental restructuring, involving the deregulation of business, wholesale sell-offs of public-sector enterprises, elimination of tariffs and other barriers to international trade and inducements to foreign multinational corporations.

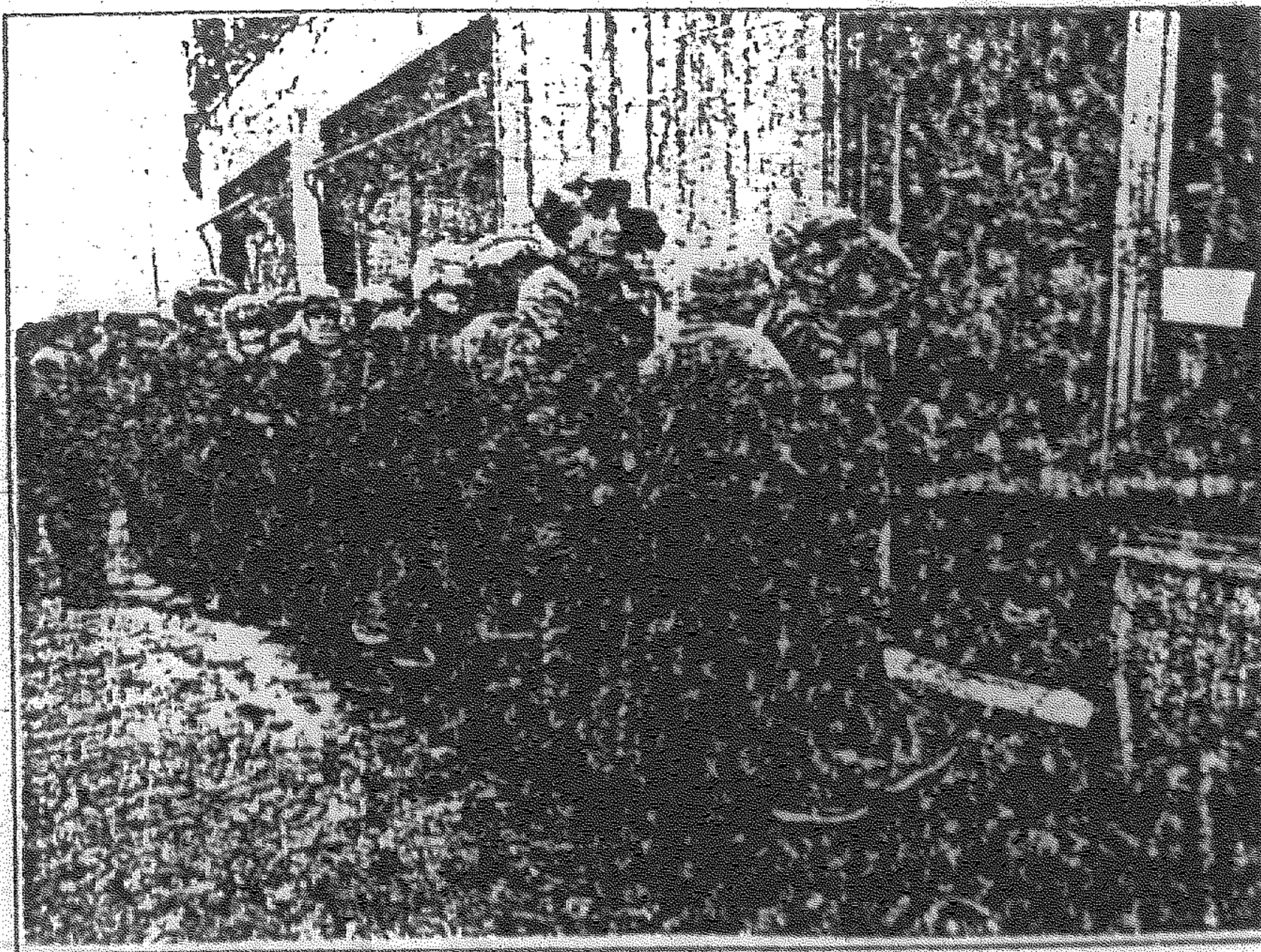
*Problems such as shortages of consumer goods in the Soviet Union have discredited socialism and led to the embrace of free-marketierism.*

This passion for the free market has many reasons. In Eastern Europe, the discrediting of communism has encouraged the embrace of whatever seems most contrary to the old order. Elsewhere other factors have been more important—primarily, slow growth or even actual decline in real incomes, ossified institutions, crippling levels of indebtedness.

Others have been driven by simple desperation. Governments believe that they cannot restructure without substantial aid, credit and investment. This can come only from the advanced capitalist countries and international lending institutions—primarily the IMF, World Bank, US government and multinational banks. Though the benefit of external support is debatable, there is no doubt the way to qualify for such support is by showing a commitment to the free-market model.

Finally, there is the spur of self-interest. However much a gamble a free-market approach may be for society at large, it almost certainly benefits the class of highly educated and internationally connected professionals—the “traveling classes,” technicians and business people—that so strongly support it. Meanwhile, the masses seem wary if not downright resistant.

In Poland, Solidarity was able to push through its austerity programs only after the composition of the party had shifted dramatically from workers to intellectuals. December's presidential runoff demonstrated a widespread, if unfocused, opposition to the government's economic strategy. In Czechoslovakia, Finance Minister Klaus, a free-market economist, is widely opposed, reportedly even by President Vaclav Havel. Throughout Eastern Europe polls show a large majority of rural families—95 percent in the former East Germany, 90 percent in Czechoslovakia and 70 percent in Bulgaria and Hungary—have no desire to take up private farming as a full-time occupation.





Morocco, Tunisia, Nigeria and Algeria all experienced bloody street rioting in recent years in response to the sudden price increases or severe cutbacks in public expenditures resulting from IMF free-market adjustment programs. Five hundred people died in Algeria's 1988 riots. In Sudan, Jaafar el-Nimeiry's government was toppled in 1985 after an IMF-approved plan sparked an urban insurrection. Zambia's President, Kenneth Kaunda, had to cancel an IMF-approved program in 1987 after food riots killed 15 people.

The free-market programs of President Carlos Salinas de Gortari in Mexico also face widespread opposition, and he increasingly relies on repression. In Brazil, Collor was elected in 1989 by a small majority over his leftist opponent not because people wanted an unbridled free-marketeer but because, on the contrary, he sold himself as a populist, clean-government candidate. In Peru, Alberto Fujimori won in the presidential election largely because he challenged his opponent's advocacy of free-market shock therapy. Yet since taking office, Fujimori himself has carried out austerity policies.

But we cannot repudiate the arguments of free-market governments purely because they face opposition. Could it be, as free-marketeers remind us, that opponents of the model are too preoccupied with the short-term pain that inevitably precedes long-term gain? Let us then fix our gaze on the longer term. Do the celebration of the market and the rejection of large-scale government intervention find justification in the recent historical record? Is it true that governments that regulate and redistribute are the cause of the indisputable crises faced by so many of the world's economies, and that free-market capitalism can resolve those crises? In fact, such conclusions are entirely unwarranted and based on myths and fallacies.

#### Myth #1: Socialist Central Planning Has Been a Disaster

The failures of central planning under what were the "actually existing" socialist governments are now universally understood. Chief among them was the way in which the lack of democracy engendered an all-powerful, stifling bureaucracy. Central premises of socialism were, time and again, debauched. But substantial successes should not be forgotten. During the early phases of central

planning, the Soviet Union and China recorded stunning growth.

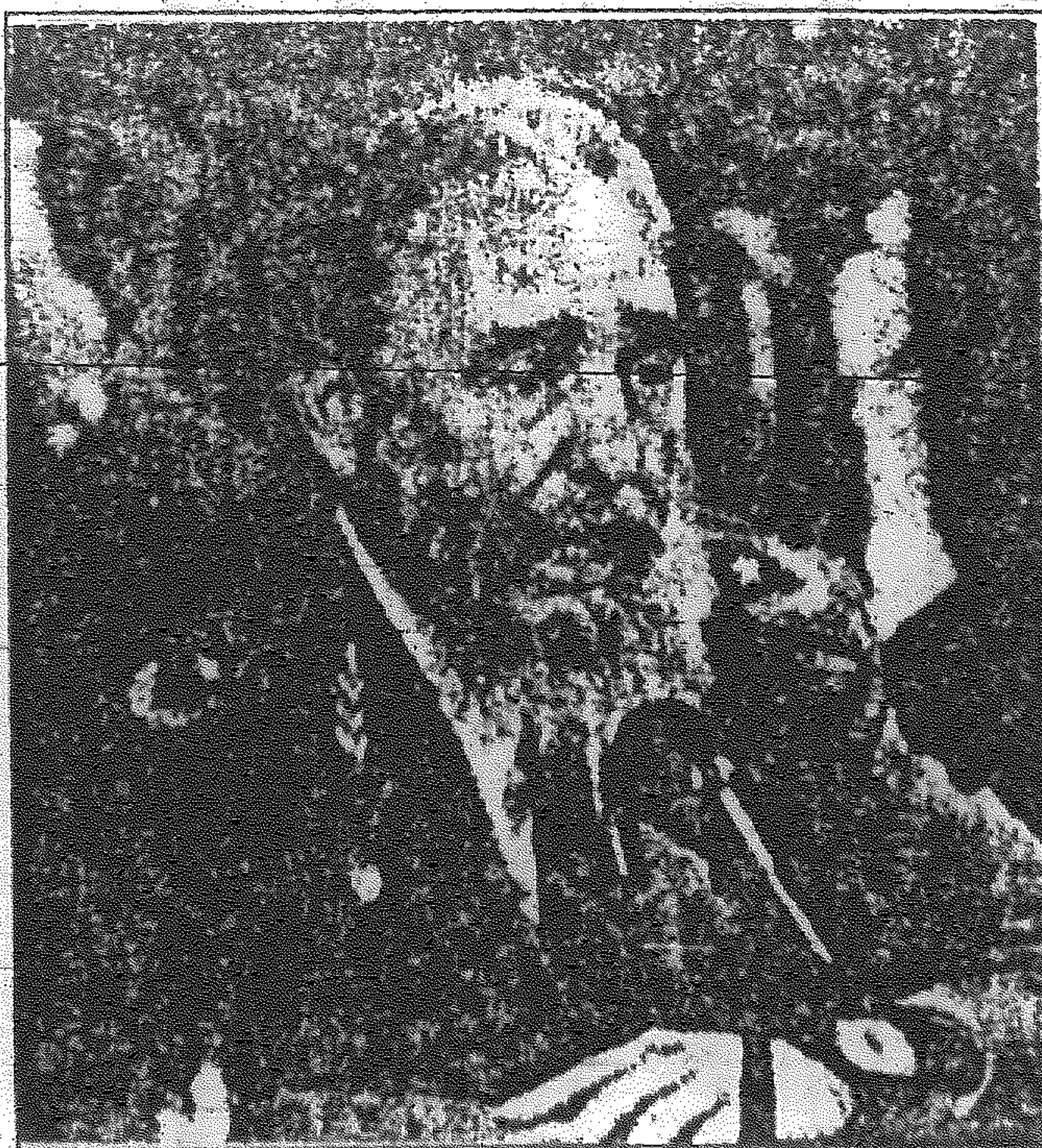
In the period of the first two five-year plans, from 1928 to 1937, while the West was suffering through its worst depression, Soviet industrial growth as measured by conservative Western analysts averaged more than 12 percent. Under the duress of war mobilization and Stalinist purges, growth fell during the third five-year plan, but it took off again after World War II. CIA estimates place industrial growth at an average of 9.3 percent during the 1950s, more than twice the rate in the United States over the same period. Even Friedrich von Hayek, the renowned free-market economist and arch-foe of central planning, acknowledged "the conspicuous successes which the Russians have achieved in certain fields."

In China, industrial growth averaged 11.2 percent between 1952 and 1978. Allowing for misallocations of resources and uneven quality of output, this was still an extraordinary achievement, creating from a near void the foundations for China's economic modernization. In terms of living standards, take changes in life expectancy at birth, a social indicator regarded as the most standardized and reliable measure of a population's physical well-being. When the Communists came to power in 1949 average life expectancy was around 40 years. It had risen almost ten years by 1957—that is, until the period of the Great Leap Forward, which produced a severe famine and a decline in life expectancy.

After this, however, life expectancy regained its rapid rate of progress until the early 1970s. Since the late 1970s—from the time Deng Xiaoping attained power and began implementing market-oriented reforms—it has not improved. Nevertheless, as of 1988, life expectancy in China was 70 years, a full decade more than the average in those countries that the UN characterizes as low income.

Cuba has also attained remarkable achievements through the egalitarian ethos underlying its planning apparatus. By any health or social indicator, Cuba stands well ahead of all other Latin American countries. For example, life expectancy in Cuba in 1988 was 76 years, while the average for Mexico, Brazil and Argentina—Latin America's three largest economies—was 69, 65 and 71 years, respectively. Cuba has also virtually eliminated

*Fidel Castro's Cuba stands well ahead of other Latin American countries by any health or social indicator.*





illiteracy, and its rate of infant mortality of twelve per thousand live births is comparable to the US figure of ten per thousand.

Relative to those of other countries in the Caribbean and in Central America, Cuba's economy has also been successful in producing a wide range of commodities both for domestic consumption and for export. Most impressive has been its development of a capital goods industry, despite the 31-year US embargo. Andrew Zimbalist, an economist at Smith College and an expert on the Cuban economy, reports that "approximately one-quarter of investment spending on capital goods in the 1980s was on machinery and equipment produced in Cuba, a level no other third world economy the size of Cuba has attained." Items being manufactured for domestic use now include irrigation equipment, air-conditioning and refrigeration equipment, sugarcane harvesting machinery, semiconductors, batteries and railroad cars. Among its nontraditional exports, Cuba counts shellfish, citrus fruit, medicine, iron and steel products, nonelectrical machinery and the cowhide baseball.

It is popular to attribute the present crisis in the Cuban economy to some inherent failure of socialism, to inefficiency and moribund central planning, and to credit any of its successes to past infusions of Soviet aid. Of course, there have been errors and inefficiencies, but the problems plaguing the economy can be explained mainly by Cuba's status as a Third World island in a straitened international climate: the dissolution of favorable trade relations with Eastern Europe, higher oil prices, falling sugar prices and hard currency in desperately short supply. As for Soviet aid, it accounted for six to seven percent of Cuba's national income—high by Latin standards but not unique. Other Latin countries, including Bolivia, Costa Rica, Haiti and Honduras, have received comparable levels of aid relative to the size of their economies, but without attaining comparable results.

Even in Eastern Europe, where the official rejection of central planning has been most intense, the picture is not one-sided. One example is agriculture. True, the peasantry was forced into collectivization in most Eastern European countries. Nevertheless, agricultural output and incomes rose sharply from the early 1960s to the 1980s. More important, the insecurity and heavy work burdens traditionally attached to individual farming have been mitigated through collective farming.

Some ascribe this to the subsidies received by collective or state farms. But even without such subsidies, it is unlikely that primarily individualized farming will achieve the levels of both efficiency and personal security that are attainable when farmers share the costs of machinery, fertilizer, irrigation and harvesting. It should also not be forgotten that farming in Germany, France, Britain, Ireland and other Western European countries, as well as in the US, depends on gigantic subsidies.

At the same time, the socialist central planning system had been building toward a crisis since the early 1970s. For the Soviet Union especially, the costs of competition with the West were draining its resources. The attempts to stimulate the socialist economies by opening trade relations with the

West were largely failures, leaving Poland, among others, in a Third World-style debt crisis.

But central planning also faced more fundamental difficulties. Over time, it showed itself to be much more capable of mobilizing unutilized resources than managing an economy of increasing complexity. Workers, meanwhile, did lack motivation. This is not, however, a natural byproduct of guaranteed full employment. The problem with authoritarian central planning is that it creates no affirmative work incentives to replace hunger and insecurity, the traditional prods to labor effort under capitalism. Material incentives in the socialist countries were too weak because of consumer goods shortages, and moral exhortation failed so long as workers had no control over workplace conditions, production decisions or labor organizations. Repression became the only remaining motivator, and this proved insufficient unless applied with a vehemence worthy of Stalin.

#### Myth # 2: Government Intervention Under Capitalism Has Also Been a Failure

Let's look first at Latin America, where statist policies are blamed for that region's continued underdevelopment and, in particular, for the debt crisis and "lost decade" of the 1980s. Beginning in the mid-1930s, most governments of Latin America embarked on heavily interventionist policies. Their main idea was to encourage domestic manufacturing. Through a plan of "import substitution", local industries would develop the capacity to supply manufactured goods that would otherwise be imported, thus providing the motor for Latin industrialization. These policies presented no challenge to existing internal class relations, but they did reject the free-market doctrines of free trade and minimal government. High tariffs discouraged imports while subsidies and public enterprises, which sold their products locally at below-market prices, supported domestic manufacturers.

The model was largely successful for a while. Mexico, Argentina and Brazil did attain their most immediate goal of producing domestic substitutes for nonluxury consumer goods. They all began to develop machine-building capacity as well during the 1960s, and by the early 1970s the industrialized sectors of those economies started to export on the world market. The growth of per capita income was also generally high over the 1950s and 1960s.

In the end the strategy proved unsustainable, but not because it violated the tenets of free-market capitalism. Income distribution remained highly unequal, so domestic purchasing power never widened sufficiently to absorb the goods generated by the new industrial capacity. Even more damaging, the Latin economies were never able to break their chronic and debilitating dependence on foreign capital, though this was the explicit aim of the strategy.

Implementation of the strategy relied both on imports of equipment and technology and on investment by multinationals. This led to chronic financial difficulties, particularly balance of payments deficits, as foreign multinationals remitted profits to the head office back home. By the early 1970s the interventionist/protectionist model was exhausted. It was only revived when cash-strapped Latin governments,



enticed by international bankers, went heavily into debt. However, this strategy could not be sustained and merely ushered in the debt crisis of 1982.

There were other problems with the import substitution strategy: Under protectionism some companies refused to risk innovation and never advanced technologically. Those firms also guarded their privileges, lobbying the government against domestic competitors seeking similar protection. Also, the formation of vast bureaucracies encouraged corruption. Latin economies were vulnerable to this, because the nationalist movements never broke the power of the merchant capitalists and landed elite who traditionally had grown rich through privilege rather than through productive activity.

Still, what is remarkable in the history of import substitution is not that such distortions emerged but rather that, despite them, there was impressive economic progress. As with socialist central planning, a modern industrial base was created in a short period of time and per capita incomes rose substantially. But without an egalitarian ideology or redistributive policies, there were immense gaps between rich and poor.

### Myth #3: The Paragons of Free-Marketeerism are the 'Miracle' Economies of East Asia

In 1985, Ronald Reagan boasted, "Many countries in East Asia and the Pacific have few resources other than the enterprise of their own people. But through...free markets they've soared ahead of centralized economies." The problem here is that the Asian economies, especially those of Japan and South Korea, the region's greatest success stories, are not now nor have they ever been free-market economies.

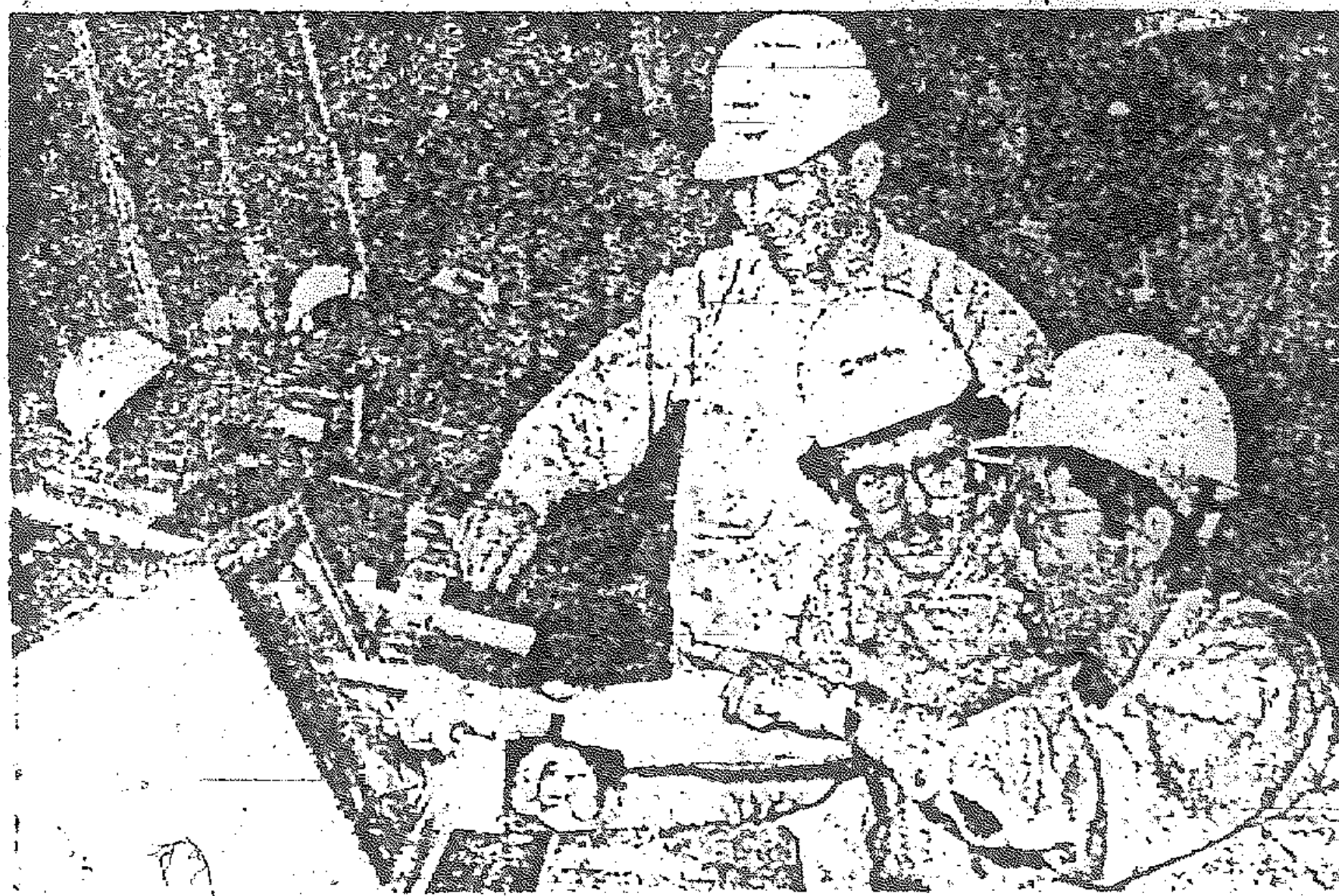
In planning and strategic financing, the state is dominant. It provides business with export subsidies, protection and cheap money. According to the development economist Aiden Foster-Carter, the South Korean agricultural system is virtually "a single gigantic state farm, with the state setting prices, providing inputs and credit and buying the crop."

Free markets can take little credit for the success of Japan and South Korea. In the 1950s the United States gave both these countries tremendous support because they served as bulwarks against communist expansion. Besides postwar reconstruction grants, Japan received nearly \$2.2 billion in US military procurement orders from 1950 to 1953 (equal to \$10 billion in 1989 dollars). Such orders accounted for about 65 percent of Japanese exports over those years.

Outright aid to South Korea was even greater. More than 80 percent of Korean imports in the 1950s were financed by US economic assistance. Like Japan, South Korea flourished with procurement contracts during the Vietnam War years. By 1975 such contracts accounted for no less than one-fifth of South Korea's exports of goods and services.

States that subsidize and protect business always risk the misappropriation of resources. That happened in Japan and

South Korea, but to an unusual extent the governments there were able to discipline the corporations they protected and subsidized, forcing them to meet product and quality standards necessary to penetrate export markets. In both cases the state's power over the capitalist class was partly the result of a sweeping US-directed land reform in the years immediately following World War II. The United States backed these reforms in hopes of weakening left peasant insurgencies, but their impact—even given erosion over time—was to break the control of landed elites and their mercantile capitalist allies.



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*Japanese workers: Are they as satisfied as they seem?*

Finally, as a matter of conscious policy, Japan and South Korea restricted intervention by foreign multinationals, especially during their phases of most rapid growth. While the state aggressively promoted the appropriation of modern technologies by domestic firms, it was not willing to allow foreign firms much purchase on the economy. The US tolerated such violations of the free-market canon in the interests of the overall anticommunist alliance.

Japan and South Korea are by no means unqualified successes. Wages were low and working conditions harsh during the main period of development and they remain unacceptable today. The Japanese labor market is highly segmented between a minority of privileged workers in the core corporations and a majority who work long hours at low pay with little security.

There is much to oppose in the East Asian model even while its basic lesson—that given favorable circumstances, intelligent and aggressive government planning can produce remarkable results—remains compelling.

### Hollow Victories

Despite all their adoration of the free-market, the Reagan/Bush and Thatcher/Major economies remain dependent on big government.



In the US and Britain, long-term stagnation became evident by the mid-1970s, most clearly in the falling rate of profit. In the US the average pretax profit rate for nonfinancial corporations had dropped from 14.8 percent to 5.5 percent between 1965 and 1974, and in Britain the decline was from 17.7 percent in 1964 to 6 percent in 1976. The capitalist response was predictable: restoring profits through lowering the costs of doing business. This meant pushing down wages, reducing taxes for corporations and the rich, eroding organized labor and weakening or removing regulations and workplace restrictions. State power shifted visibly in favor of the rich through the shriveling of social welfare programs and, in Britain, the sale of public enterprises, the latest being the state electrical utility.

Still, economic performance in the US and Britain in the 1980s was not determined by the free market. Under Reagan, government deficits, especially to finance military spending, were the driving force behind the US expansion. In Britain North Sea oil was a windfall for Thatcher, increasing exports, raising the value of the pound sterling and thus restraining inflationary pressures. Yet neither Reagan nor Thatcher would have escaped presiding over financial collapse had their governments, in violation of free-market tenets, not intervened dramatically during the 1987 stock market crash or, currently in the US, during the savings and loan crisis.

The most proclaimed achievements of these economies have been the victory over inflation and the gains in manufacturing productivity. In both countries, antilabor, procapitalist "free-market" policies did play a significant role here, but the fall in oil prices in the 1980s also contributed significantly to the decline in inflation.

Another advance touted widely by free-marketeers is the growth of national income during the Reagan/Thatcher 1980s. In fact, even the "stagflationist" 1970s produced better average growth performances for both countries. In Britain growth averaged 2.5 percent for the 1970s and 2.2 percent for the 1980s. Moreover, whatever income gains that were attained in the 1980s were very unevenly distributed. In both countries, incomes for the top one percent grew by exactly the same amount, 73 percent, in the 1980s. For the lower 80 percent of households, income increases were slow or nonexistent—the consequence of falling wages and rising taxes; high unemployment; cuts in social services. As for the bottom 20 percent, many were plunged into economic ruin. In America some two million people are homeless. In Britain, the number is estimated at five percent of the adult population.

In the US, bank failures have risen. From 1950 to 1981 an average of six banks failed each year, with the worst year seeing 47 closures. In 1982 42 banks collapsed, and between 1985 and 1990 the failure rate ranged between 120 and 206 banks. Over 10 percent of all banks are in serious financial difficulty.

The credit structure is crumbling. The \$500 billion price tag for the collapse and bailout of the savings and loan industry—amounting to \$4,000-\$5,000 per household over the next forty years—may be only the forward edge of the avalanche. The speculative frenzy, during which \$1.3 trillion was spent on mergers and buyouts over the 1980s, have sunk

corporations in heavy debt. They now devote more than 60 percent of their pretax profits to interest payments, nearly double the burden carried in the 1970s.

However, with sales and profits falling, firms are less capable of meeting their unprecedented interest obligations. Banks are therefore less willing to bear the risks of new lending, and with credit tight, investment, employment and wages will continue to fall, and bankruptcies to rise.

It may well be that deficit-financed war spending will be used once again as the old-fashioned solution to economic crisis.

### Utopia and Counterrevolution

Even without these contradictions, the US and British economies are clearly too advanced to serve as models for the world's new free-market experiments. It is Chile which is hailed as a plausible model in both Latin America and Eastern Europe.

In 1973 Gen. Augusto Pinochet's "Chicago boys"—his first team of free-market economists—administered their version of the standard IMF shock therapy in Chile. They eliminated wage indexing and freed prices; slashed tariffs and other trade barriers and liberalized rules for direct foreign investment; and cut state spending and sold state enterprises. The government crushed resistance to its economic strategy through such methods as destroying unions and torturing and murdering labor organizers.

The first decade of this program, lasting through 1983, was catastrophic despite generous support from foreign, and especially US, capital. Real wages declined, unemployment rose and mass living standards fell sharply. Exports did increase, mainly because severe wage reductions and exchange-rate devaluations lowered the prices of Chilean goods. But imports rose even more, as local production declined. Import prices, moreover, were very low because of the overvalued national currency. The rise in imports led to a balance of payments crisis, which in turn contributed to the debt crisis of the early 1980s.

So Chile's position as the standard-bearer of free-market achievement rests entirely on its performance since 1983. National income has risen for six straight years, at an average annual rate of six percent. Unemployment has also fallen steadily, from more than 14 percent in 1983 to less than seven percent by 1990. Inflation averaged 18.3 percent from 1983 to 1989, which is high in absolute terms but negligible by the hyperinflation standards of other Latin countries. Also unlike other Latin economies, Chile has been able to reduce the burden of foreign debt, from 143 percent of GNP in 1985 to 78 percent in 1989. It has also diversified exports beyond its traditional staple of copper to include lumber, fresh fruit and fish.

But this record presents only a partial picture. While overall growth since the 1983 slump has been good, it began from the subterranean level induced by the first decade of Pinochet's repression and free-market policies. Thus, even with the sustained economic expansion, it was not until 1988 that per capita GNP exceeded its level in 1980, or in 1972, the last full year of Salvador Allende's socialist government.



Maintaining abysmal wages was a matter of policy, regarded as the key to the country's success in the new export industries. The 1989 real wage was only slightly above that of 1980 and substantially below what it had been in the mid-1970s. The minimum wage has failed to maintain even that degree of stability, falling sharply in the 1980s. As of 1987, it was 31 percent below that of 1978. This divergence between the average and minimum wage patterns highlights the inequity of income distribution in Chile over the 1980s.

Poverty, hunger and homelessness have not declined. However, it is extremely difficult to obtain a reliable picture of social reality under Pinochet, since the government redefined many of the most basic statistical measures of well-being, including such indicators as poverty, malnutrition, unemployment and consumer prices.

There is another factor, one having nothing to do with free markets, that has been the primary determinant of Chile's export boom and, more generally, its economic success since the early 1980s: the rise of copper prices. The price of copper on the wholesale international market more than doubled from 1984 to 1989. Thus, Chile has enjoyed unprecedented trade surpluses. For 1988, the surplus was \$2.2 billion; prior to 1986 it had never exceeded \$1 billion.

The debt-equity swap agreements also helped in reducing Chile's foreign debt burden. Crucial to this was the policy until 1990 of not permitting investors to repatriate profits from debt-equity investments. Now that profit repatriations have begun, there will be a drain on Chile's still favorable international balances. The full picture of Chile's post-1983 turnaround, therefore, is decidedly unmiraculous.

The Chilean model spells out the consequences for other Third World countries who want to follow the same path: desperation of the many, enrichment of the few.

The opening of national economies to trade and investment via free-market policies will only accentuate capital's clout in confrontations with labor and government. Governments clamoring for free-market capitalism will have to increasingly surrender to the dictates of the capitalist class for more wage concessions, less unionization, more austerity and less government regulation of business.

#### Shining Paths

Alternatives to this bleak prospect can come only from renewed left movements around the world. The left needs to be confident in its fundamental economic positions. In plain terms this means it must not be afraid to be socialist, to counter free-market celebration and to defend economic planning and an activist state as a necessary brake on the assertions of capital.

The reasoning behind such positions is straightforward. First, an export-led and multinational-led investment strategy cannot work for everyone. It is logically impossible for all countries to run trade surpluses, since the surpluses of some countries must be exactly balanced by deficits in others.

*The left needs to be confident in its fundamental economic positions; it must not be afraid to be socialist.*

Similarly, an investment inflow to some countries will be exactly matched by an outflow, a "capital flight," from others. Thus, even on its own terms, the model will have to fail in at least as many countries as it suc-

ceeds. This underscores the destructive downward spiral in which countries compete for multinational investment by pushing wages and taxes as low as possible.

Any alternative to the export-led open economy, wherever it may be pursued, will require active state intervention. One strategy is to strengthen local markets for domestically produced goods by increasing wages and reducing income inequality—a variation on some of the features of the populist import substitution strategy. However, any effort to raise wages significantly without concurrently increasing production in domestic industry will encourage hyperinflation. Thus, state planning becomes necessary to coordinate all the activities that can raise both productivity and wages: investment in industrial plant and equipment; the improvement of infrastructure and marketing arrangements; and especially over the long term, the raising of education, health and housing standards so that people's lives can become more productive, as well as more secure and perhaps enjoyable.

Planning of this sort does not imply the eradication of markets or the suppression of democracy. Quite the opposite. In the right context, markets are the most efficient, indeed the only effective tools for establishing some prices and transmitting some information as well as rewarding people fairly for differences in ability and effort. The experience in the socialist countries has made clear that government planners should not squander their energy on inevitably ineffective efforts at controlling the production and marketing of soap, fresh fruit or blue jeans.

However, the planning system does need to unshackle from the market's grasp the functions that historical experience shows it performs badly—the setting of an economy's overall development strategy, the guarantee of a minimum level of economic security, the generation of a fair distribution of income, wealth and economic power, the control over the destructive side effects of profit-seeking activity in the workplace, the environment and elsewhere.

The challenge is to strike a balance by utilizing markets extensively but in a framework in which the markets themselves are socialized. Socialization of the market would entail, at a minimum, social control of investment.

Investment decisions are the primary determinant of an economy's overall development trajectory. Through the public allocation of credit, public ownership of key firms and industries or other mechanisms, public institutions must at least set a framework to channel the energies of private profit-seeking. All governments already participate in investment decisions to some extent, but their customary role is to act as public agents of private capital.

Only socialism can challenge the capitalist rationality of hunger and opulence and growth via natural destruction.



own methods have proved completely insolvent. I just want to stress one thing, though: in this case, real capitalism is being compared with "unreal socialism," i.e. it is the comparison of two incomparable things.

Present-day highly-developed capitalism is the outcome of many decades of competition between all and everything. Millions upon millions of people fell victim to this process, to making capitalism a reality. Our present beggarly standard of living is the result of the complete absence of any competition in the economy; it also rests on the bones and tears of tens of millions of innocent victims. Just remember that 40 million of our compatriots can hardly make ends meet, and add to them another ten million living in abject poverty.

Won't our attempts to reach the present-day level of development of the capitalist countries lead to an increase in these figures as a result of the development of the so-much-desired commodity-money relations? Will the state be able to keep these relations within the proper framework? Should we tempt fate or not? Won't a new Stalin appear in the foreground, supported by the said 50 million and almost 20 million bureaucrats?

**I** am in favor of commodity producers, provided there are also socialist

owners of public property of the same magnitude. Those who see the development of commodity-money relations as a cure-all and think that the "radical change" in Lenin's attitude toward socialism refers only to the New Economic Policy are all wrong. In 1923, when Lenin elaborated this "radical change," the New Economic Policy was useful for him only if supplemented by cooperation.

However, the establishment and development of commodity-money relations can help solve a lot of our problems, provided they are not significantly limited under the guise of regulation. For instance, we can have an abundance of high-quality goods. But...in a capitalist way.

Can these relations be developed if the present relations of production are basically maintained? So far this is what the discussion has been about. The experience of the 20s and 30s shows that it is impossible. State production fails to withstand competition with the freely developing economy and has to appeal to its owner, the state, urging it to do away with the non-state economy; this is exactly what is happening today as far as cooperatives are concerned, which are still unsteady on their feet. Just remember the December 1988 government resolution, which is in glaring contradiction with the Law on Cooperatives. Imagine what will happen if cooperation gains in strength and starts competing with the state enterprises not

*What was Lenin's vision of socialism before his death? According to Burganov, it was the New Economic Policy, supplemented by cooperation, socialism as a "system of civilized cooperators."*



in a few trifles, as today, but in the production of essential goods? We have already seen it all.

Some may object that in the 20s the political system was not reformed to suit the requirements of the New Economic Policy and so the latter failed. The reason why it was not reformed was that its basis—the state-monopoly relations of production—remained the same; NEP did not and could not change it. Today, similarly, the reform of the political system, if completed, will make sense only if it is capable of transforming the state relations of production into popular-cooperative relations. Otherwise, the allegedly reformed political system will continue to consolidate the administrative-and-command management.

I would like to add to the above my view of the multi-party system, which many people today consider to be the key to the situation. Ills of a superstructural nature cannot be cured with superstructural methods. No matter how many parties there are in the country, the situation will be determined by those which supervise the basic sector of the economy.

Let us consider another alternative: some people today expect all the sectors to be equal. In this case state production as the most ineffective sector will be crushed by others.

Still another suggestion: management is completely decentralized, the ministries are abolished, the state enterprises are made completely independent, each having parallel (rival) production enterprises (otherwise group egoism will win over, as is the case today). In this case market relations will probably develop successfully.

However, if we leave the system of hired labor intact, the position of state enterprises in this case will be the same as under capitalism, i.e., they will run at a loss and will sooner or later be done away with or reorganized.

I am in favor of pluralism in all social spheres, including the economy, which I understand as the plurality of efforts, know-how and views aimed at the achievement of a common goal. For me, pluralism is a way of searching for better forms of organization of the economy, based on the universal public ownership of the means of production, and of national wealth in general. Ultimately, pluralism should serve to attain the truth, and a better form of existence.

In a healthy society pluralism is as eternal as the search for truth! However, there is one reservation: one should not search in a direction which has already brought the country victims and hardships. There is no reason to go back to an idea which has put the country on the brink of a catastrophe. Again, we have not yet tested the Leninist NEP-cooperative socialism. I am confident that we will be able to achieve a



reasonable standard of well-being in the next three or four years if we go over to the implementation of Lenin's concept of cooperation not in words but in deeds.

"This concept suggests a system which makes it possible to combine and harmonize, in the most efficient way, private interest with collective interest, collective interest—with state interest, and the latter—with public interest. And at last to reach the main target—to do away with the ruinous levelling-out and achieve remuneration for labor... The state itself cannot do that, it is a sheer utopia." These words belong to A. Yakovlev, Member of the Political Bureau of the CPSU Central Committee.

#### Group interest of producer-owners

It is clear that neither in the 20s nor now have we managed to efficiently employ the main advantage of socialist cooperation as compared with cooperation under capitalism. Socialist cooperation is a type of unantagonistic transformation of individual small-commodity economies into socialist ones, i.e., a means of settling the contradictions between the proletariat and petty bourgeoisie in the conditions of building socialism in a peaceful way, without political violence.

Unfortunately, we have failed to put this theoretical knowledge of ours into practice. Stalin's attitude to the peasantry as the basic threat to socialism led to the policy of eliminating this class which was allegedly hampering the building of a new society. It is true that socialism was not guaranteed from the real threat of the petty-bourgeois mentality, which was displayed mostly by peasants. This is the ABC of Marxism. But the method of eliminating the main petty-bourgeois class which Stalin imposed on the party and the working class had nothing to do with Marxism. The task was to eliminate the petty-bourgeois mentality, while leaving the peasant as the rural laborer-owner and the ally of the working class, taking into consideration his private interests based on his share in the cooperative property and the output.

The advantages of cooperation lie in the fact that it is capable of solving the vital problems not only of the petty bourgeoisie, but of the nation as a whole. Cooperation helps solve the contradictions between private and public interests by furnishing conditions for the realization of group interests, which is the sum total of private interests. It is thanks to these interests that former profit-losing farms and state enterprises on the brink of liquidation begin to bring in profits when leased to individuals or transformed into cooperatives.

Capitalist enterprise skillfully employs the private interests of the businessman and this is why the capitalist mode of production appears to be so viable and dynamic. Everything there centers on the owner of the means of production. Despite the recent development and expansion of joint stock capital as a result of the involvement of working people (19 percent of the US population are

shareholders, in Sweden they constitute 21 percent and in Great Britain their number exceeds that of labor union members), there are no grounds to expect that in the foreseeable future capitalist enterprises will be turned into people's enterprises, i.e., belonging to the working people. Consequently, such an enterprise can serve the group interests only of capitalist and a part of the working people.

On the other hand, state enterprises makes poor use of national interests while being more successful as far as the interests of the bureaucracy are concerned; this enterprise in fact has no master or owner, for it is supervised by officials whose well-being does not depend on the efficiency of the economy and, consequently, the latter is managed quite inefficiently. Moreover, it resists being transferred to the intensive methods of development. At the same time, a socialist cooperative enterprise uniting producers and owners of both the basic assets and the output, is objectively capable, from the very beginning, of forming group interests, which, economically, is probably its only real advantage over capitalist enterprise.

Just imagine what prospects lie ahead of a national cooperative industry, free from hired labor, being run by independent people, united together on an equal footing, and thus vitally interested in the flourishing of production and everything else needed by society!

What functions will the state retain? It will remain its duty to protect the national wealth, to perform defensive and foreign policy functions, to take care of the environment, public health and education, social insurance, communications, etc. As soon as the problems of eliminating the power of the bourgeoisie and attempts to restore it are solved, any dictatorship (either personal or of the bureaucracy under the guise of the "dictatorship of the proletariat") is out of the question.

In the absence of state ownership of civil material production, i.e., in the conditions of production democracy, the right of every producer (worker, peasant and intellectual) to solve the problem of distribution of the value created by him would preclude the appearance of such a multi-million-strong army of parasites—the class of the bureaucrats—as we are faced with today. The power of this class rests exclusively on the fact that it has appropriated the right to dispose of newly-produced values as it sees fit, allegedly with the consent and in the name of the people. So it is not surprising that the bureaucracy offers violent opposition to the economic reform incorporating the basic elements of the idea of cooperation, which should ultimately win over and become the reality of socialism. Democracy can be turned into reality only provided the bureaucrats are deprived of their rights. For production democracy alone (and this is a must in cooperatives as "associations of free and equal producers") is capable of leading to the genuine democratization of all other social spheres.

(This article is from the book, "Perestroika and the Concept of Socialism," published by the Novosti Press Agency Publishing House, Moscow 1990.)



## Too hard on Saddam

Your article "The Gulf After The War" (Volume XXI No.11) is a very disturbing piece, not because the recent Gulf War signals a very disturbing development in the North-South conflict, but because the writer misses the more essential issues at hand, for instance, the US imperialist agenda. Instead, the article goes into a lot of hypothesizing which reduces the entire post-war Gulf scenario into idle might-have-beens.

The article commits some major errors in logic, analysis and presuppositions. Most glaring are those in the following paragraphs:

1. "... Accepting an Iraqi withdrawal from Kuwait would have meant an intact army which could once again be used to threaten US and Zionist interests in the region. Furthermore, it would have made the Soviet Union the peace maker in the Middle East, with considerable political weight in determining the post-war scenario.

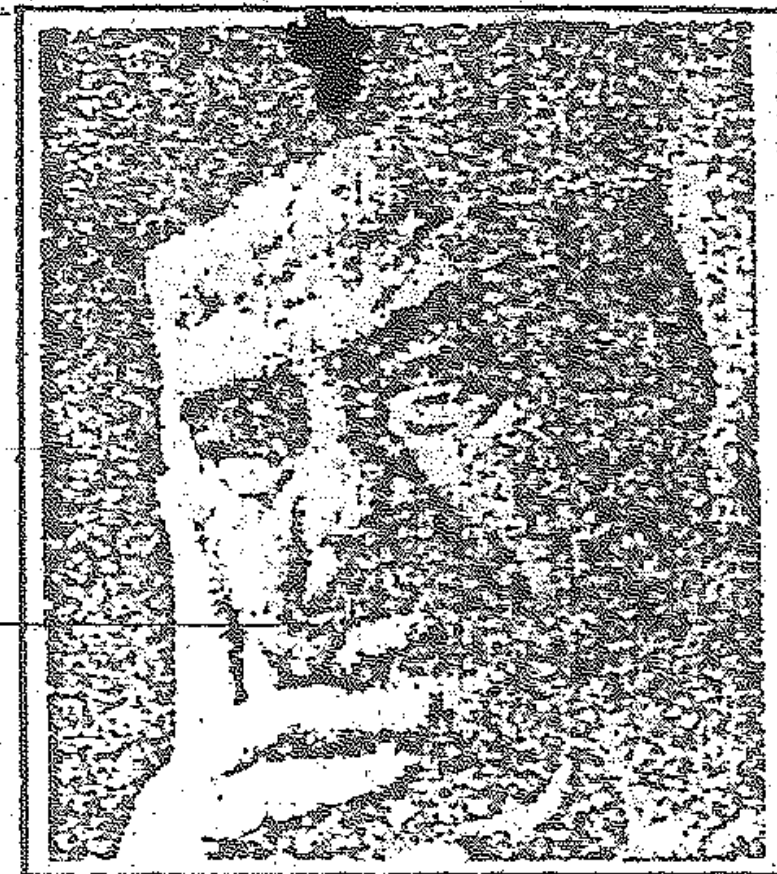
"Had Saddam Hussein voluntarily ended his occupation of Kuwait, there would have been tremendous pressure for Israel to leave the Arab lands it had invaded and continue to occupy in violation of UN resolutions. And the creation of a Palestinian state would have to be immediately placed on the agenda. Both US imperialism and Zionism would have been dealt a big blow in the region."

*(Indeed, it was only through war—and not through peace—that the US could achieve its objectives. Accepting an Iraqi withdrawal from Kuwait would have meant leaving Iraq with an intact army which could once again be used to threaten US and Zionist interests in the region. Furthermore, it would have made the Soviet Union the peacemaker in the Middle East, with considerable political weight in determining the post-war order.*

*And had Saddam Hussein voluntarily ended his occupation of Kuwait, there would have been tremendous pressure for Israel to leave occupied Arab lands.")*

This is a purely hypothetical scenario and ignores facts entirely. There is a bothering assumption here that Saddam Hussein is responsible for the entrenchment of US imperialism and Zionism. It should be remembered that the US has had a very strong presence in the Gulf even before the Iraqi invasion of Kuwait and that the American presence in the region is clearly to pursue a complete imperialist agenda: to perpetuate the US-Israeli security scheme against the Palestinians and the other Arab peoples; enlarge US oil interests and control in the Gulf area and the entire Middle East; and to keep down any country like Iraq in a state of political subordination and economic underdevelopment. US imperialism and Zionism will create a Saddam or any pretext to wage a war and to establish hegemony. Also, the Soviet Union, notwithstanding its sponsored peace plan, cannot have been a major force in the Gulf conflict or its post war. The fact that the Soviet Union went with the US-sponsored UN Resolution already attests to its inability or unwillingness to go against the wishes of the United States and its Allies.

2. "The US victory has greatly diminished the cause of Arab unity. US Imperialism cleverly exploited the rivalry of Syria's Hafez Assad and Egypt's Hosni Mubarak with Saddam Hussein and their need for economic benefits from the West, the traditional enmity of Saudi Arabia and other pro-Western Arab to Iraq, and Turkey's desperate wish to join the European Community to enlist their support in the war against Iraq. Even when the war so



clearly went against the intent of UN resolutions, these Arab leaders did not dare back out of the US-led coalition".

*(The US victory has greatly diminished the cause of Arab unity. US imperialism cleverly exploited the rivalries among elite Arab rulers and their narrow and selfish interests. Thus, they allowed the US to take over the solution of a problem which should have been mainly placed in Arab hands. Worse, they approved the use of US military power to right Saddam Hussein's wrongful occupation of Kuwait instead of determinedly seeking a peaceful political solution.")*

Assad's joining the coalition is a product of cold calculation, of geopolitical thinking, rather than mere "rivalry" with Saddam. Syria's interest is to consolidate its control and influence in Lebanon, reclaim the Golan Heights, extend its political influence in the Middle East and on the PLO. To a certain extent, Assad succeeded. It is wrong to say there is a "traditional enmity" of Saudi Arabia with Iraq. Saudi and other Gulf States consider Iraq as a counterweight to Iran. *(The points being criticized here have been edited out of the final text.—Ed.)*

The US victory which diminished Arab unity has another aspect: there was a popular sentiment and unity among the different Arab groups against US imperialism.

3. "The US can be expected to use the PLO's support of Saddam Hussein as an excuse to exclude them out of the process or limit their participation. It has the help of conservative Arab States, such as Saudi Arabia and Egypt, whose inherent hostility to the PLO, muted in the past, has been brought

*This critique was based on a draft of AB's Gulf war article, which underwent some editing changes before publication. Thus, those parts of the article quoted here are somewhat different from or do not appear in the published text in the English edition of AB. The final version is enclosed in parentheses and printed in italics.—Ed.*



From the editor

## A Clarification

In the January-February 1991 issue, the AB editorial committee decided to open the publication as a forum for debate on major and burning issues affecting the Party and the whole revolutionary movement. The Executive Committee of the Central Committee has clarified that it is *Rebolusyon*, the theoretical journal of the CPP, which is the proper and official forum for inner-Party debate.

However, AB will continue to provide background materials and hard data on the various issues being

debated on. This is within the scope of its present orientation and is in response to the strong demand by Party members for access to Marxist studies and documents which will help them to participate in the debates in a well-informed and fruitful way.

The Socialism Series started by AB will be maintained as a regular feature within the parameters of the above clarification.

All other aspects of the orientation set by AB for the 1990s remain in place. The positive response of a wide section of the AB readership to the first issue of 1991 is most appreciated. As in the past, AB welcomes and will give space to feedback from its readers on the contents of its issues.

into the open by the war. The traditional supporters of the PLO and the Palestinian movement have 'new ties' with US imperialism, both political and economic, which will prevent them from asserting an independent stand on the Palestinian question."

*("...while dealing with the Palestinian question has been placed on the order of the day, the manner in which it will be dealt with will be decisively influenced by the US. The US can be expected to use the PLO's support of Iraq as an excuse to exclude them out of the process of setting up a Palestinian state.")*

This is the Western propaganda line to isolate the PLO and the Arafat leadership, in particular. What should be stressed is the role the PLO tried to play in arriving at a negotiated settlement principally through the mediation of the Arabs. We should also recognize the difficult position of the PLO and point out the injustice and difficult position and the double standard of the UN and the international community vis-a-vis their struggle.

It is inaccurate to say that there is an "inherent hostility" between PLO and the conservative Arab states like Saudi Arabia and Egypt. The PLO doesn't look at their relation this way.

4. "But only the democratic and progressive forces in the Arab world can pose a strong political and moral challenge to US imperialism. The outcome of the war in the Gulf has shown only too clearly that the interests of the Arab people and nations cannot be served by the autocratic elites which

hold sway in many Arab countries today. And neither can it be served by dictators who because of the very nature of their rule, fail to muster the full moral and political strength of their own people and all positive forces in the world. In the end like Saddam Hussein, they will not be able to effectively stand up to US military might and erode imperialism's political ground for unleashing that might."

It is unfortunate that the article ends with a hard hook against Saddam Hussein and not on US imperialism. This item is uncalled for. It contributes to the demonization of Saddam and implies that it is even justified for US imperialism to take action to topple him.

It would be of greater value if the article on the post-war Gulf situation comes out with a sharper analysis of the nature of US imperialism, sharply defining the nature of the contradictions. We should avoid getting drawn into the parameters of bourgeois analysis. We owe it to ourselves and the AB readers to forward and propagate ML analysis. As is, the article puts the whole burden and blame on Saddam, implying that his removal will bring about democracy. Rather we should focus on the machinations of US imperialism and keep alive the cries and demand of the Arab/Islamic peoples and the peoples of the world for the US to held accountable for its crime against the Iraqis and the Arabs.

Comrade Anne  
Utrecht, Netherlands

## ERRATA

We apologize to our readers for some errors in the March-April issue.

1. On p. 9, first column, 5th par.: "M70 light machinegun" should be "M60 light machinegun."

2. On p. 14, third column, 1st par.: "seven towns of Luna, Kabugao and Calanasan in Kalinga-Apayao" should be "seven barrios in Luna, Kabugao and Calanasan."

3. On p. 26, third column, 2nd par.: "Two NBI anti-narcotics agents who were assigned to investigate the drug syndicates also disappeared and are likely to have been salvaged" should be "Drug syndicates were also behind the killing of two NARCOM agents on a surveillance mission."

A comrade in Northern Luzon also pointed out an inconsistency in the layout of the January-February issue. The front cover carries the theme, "Popular Struggles on the Upsurge." However, as one turns the page, one is confronted by a headline and a lead article ("Why we fell short of the target") which contradict this theme. The article on page 5, "Stormclouds of September to December 1990," which depicts the mass struggles of the last half of 1990, should have been the main story.

Also on p. 19, first column, 2nd par.: "On Jan. 16, 1990, the US and its allies started the massive and relentless air bombing of Iraq" should be "On Jan. 16, 1991..."

—AB editorial staff